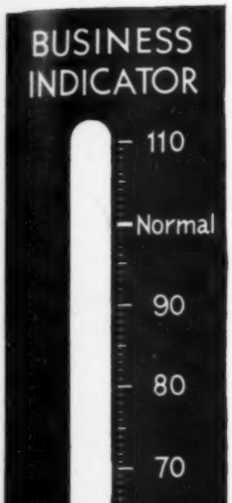
THE BUSINESS WEEK



Signs of slowly increasing activity, slight and scattered, but too widespread to be safely sniffed at, have begun to accumulate, following the freshening of business and financial sentiment since the outset of July. . . . This may be somewhat surprising at this usually slack season, but every upturn from past depression depths has begun between May and September. . . . Strengthening in commodity prices, steady and firm security markets, softening of long-term money rates, quickening of investment interest in new capital issues, increasing stability in business indicators, and a sharp unseasonal rise in construction contracts during the first half of this month have both reflected and fostered a more hopeful and active attitude toward the future among business and banking executives, for the first time in more than a year. . . . As for political factors, the fundamentally favorable influence of the reparations settlement and the five-months relief from legislative anxieties following adjournment of Congress are likely to offset the effect of further disturbances in Germany or the uncertainties and distractions of a violent but diverting presidential campaign. . . . The potential force for business expansion implicit in the legislative accomplishments of the past Congressional session is still largely unappreciated, but its powerful influence is likely to make itself felt in the next few months as industrial and financial initiative are aroused to the possibilities of its use.

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Disseminating knowledge--- a $2-billion-a-year industry

TIME was when the road to knowledge meant the Little Red Schoolhouse for the masses, college for the fortunate few. Today the American public isn't satisfied to stop with our "free" educational facilities. It is taking two billions a year out of its own pocket for schooling, books, lectures, publications—two billions that go directly or indirectly to many branches of business and industry.

What do *you* know about this vast industry created by America's thirst for knowledge? Try answering these questions, for example:

Q. On what does the American public spend most in its search for knowledge?

A. ....

Q. Which type of school had the greatest proportional decline in tuition fees in 1930?

A. ....

Q. On which does the public spend more—tuition or school supplies?

A. ....

Q. Which suffers more in depression years—newspaper or educational-magazine readership?

A. ....

Save your answers—then check them with the facts and figures revealed in the fifteenth article on "The American Consumer Market," in the August 3rd issue of The Business Week. You'll be surprised at the many popular misconceptions that this article—and the others in this series—overthrows.

Read all twenty articles in this series. They will give you what no other market study has ever attempted: a compilation and analysis of *all* the expenditures of *all* the American people for *all* the years from 1919 through 1930. They will show you how the wind is blowing for your business—and every other business.

THE BUSINESS WEEK

330 West Forty-Second Street New York City

Where are the Consumer's Dollars Headed?

You'll find the answer in the series of 20 studies of "The American Consumer Market" now running in *The Business Week.*

THE BUSINESS WEEK (with which is combined The Magazine of Business) July 27, 1932. No. 151. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42d Street, New York, N.Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. $7.50 per year, in U.S.A. and possessions; $10.00 or £2 10s. per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A.

This Business Week:

Washington

Congress has set the stage for recovery; now it's up to business, the banks, and the Federal Reserve to play their part. We summarize and interpret the accomplishments of the 72nd Congress in its 225-day session, particularly those which affect business. *(p. 3)*

How much employment the Relief bill provides depends on the willingness of public officials and the public to undertake new projects, and the interpretation of the act by the Reconstruction Corporation. *(p. 4)*

When the lumbermen themselves cooperate on a marketing agreement, the Attorney-General's office will cooperate on a test case. *(p. 6)*

Making the St. Lawrence a deep waterway may create a new heavy-industry district along the border to take advantage of cheap power and water transport. *(p. 17)*

Utilities

Holding companies are further discomfited by orders in Alabama and Wisconsin to hold up dividends to protect operating subsidiaries. *(p. 22)*

Finance

Hopes for early revival of the investment market are raised by the successful flotation of 5 new issues by strong utilities. *(p. 5)*

Oil

Of all the major industries, petroleum has been least affected by the economic crisis, is the first to show signs of improvement. Production control, steady consumption, are the basic reasons. *(p. 8)*

Marketing

Part 14 of The American Consumer Market throws light on the taxes paid by consumers. Individually, they pay a quarter of all taxes collected; directly and indirectly, about a half. *(p. 14)*

The glass industry is fighting through with new products for new markets, harder selling, and a general refusal by the dominant companies to do business at a loss. *(p. 10)*

Refrigerator sales figures owe much to the educational work of the Electric Refrigeration Bureau. Supporters feel its work is done, are reluctant to continue appropriations. Range and appliance makers may broaden its scope. *(p. 9)*

Textile manufacturers have come to the conclusion that the wholesaler serves a useful purpose after all. *(p. 9)*

New mail order catalogues are price-tagged 17% to 35% below last year's. *(p. 8)* Montgomery Ward's Twin Cities department store will have an A. & P. market. *(p. 8)* The cigar counter bookseller has expanded, will sell 50¢ novels as well as mysteries through 70,000 outlets. *(p. 7)*

Motors

May, hoped-for prelude to a June of big sales, turned out to be the peak month, after all. Even the low-priced cars show tapering sales. *(p. 7)*

Figures

Public works, non-residential building boost construction volume. Commodity prices are holding their gains. Other indicators show the effect of the holiday. *(p. 28)*

Farm Board

With liquidation of its surpluses nearly completed, the Farm Board has removed that cloud over the wheat and cotton markets which has been the favorite alibi of grain traders. Now, prices are a matter of supply and demand—and courage. *(p. 11)*

Work and Relief

Garment workers, who fought for years to get pay by the week, prefer a strike to a return of piece-work and sweatshops, ask minimum price standards and limitation of contractor competition. Employers say 1929 pay is too high. *(p. 13)*

Out in Seattle, the organized unemployed have fed, clothed, and sheltered each other, helped themselves. Taxpayers are worried lest they help themselves too generously. *(p. 12)*

To maintain working organizations some concerns are making loans to preferred employees now laid off. *(p. 11)*

Foreign

At Ottawa, those Britons upon whom the sun never sets are holding their family reunion. Because they no longer expect too much, they may get something for their trouble in the way of trade agreements and money matters. *(p. 18)*

The Italians are in earnest about rationalizing their merchant marine. Shipping routes, offices, even piers, are being consolidated. *(p. 18)*

Trading Farm Board wheat for Brazilian coffee worked well enough to encourage other bargains in barter. Wheat may be swapped for Chilean nitrate, cotton for German potash. *(p. 22)*

Cables report commodities rising, Britain's conversion plan progressing; France may try it. Immediately significant: Ottawa negotiations and German Reichstag elections. *(p. 25)*

In this issue:

"Tax Spending," Part 14 of The American Consumer Market

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending July 23, 1932

Congress Set Powerful Mines To Blow Up the Depression

But business, the banks, and the Federal Reserve will have to light the fuses

THE first session of the 72nd Congress, 225 days, longest in 10 years, covered the most disturbed period of the third year of the most severe depression in the country's history, and was confronted with the most difficult problems of national policy since the war. In spite of the fact that it was a presidential election year, with a Democratic majority in the House and an uncertain Republican control in the Senate, Congress followed the lead of the Administration rather closely. There was no more political maneuvering and controversy than might have been expected, and much less than has been seen in some earlier periods.

Up to the beginning of the session, or at least till the middle of last year, the Administration's policy in dealing with the depression was largely based on the expectation that the business maladjustments would correct themselves without much active intervention by government. The hopeful forecasts of impending improvement and efforts to encourage business and industry to carry on as usual, continue construction programs, and maintain wages all reflected this official view of the situation from the fall of 1929 to the spring of 1931.

Austria Changes Picture

Then came the economic collapse of Central Europe last summer, starting a series of repercussions in this country which forced the Administration to definite action to protect the domestic financial structure. Up to the final days of the session the Administration program and Congressional action were concentrated largely on measures designed to check and soften the effects of the terrific deflation of bank credit during the past 9 months and to assist the normal processes of adjustment of the business structure to it, without too radical departures from capitalistic principles. The main measures taken in this direction were:

(1) A postponement of war debt payments, proposed by the President last June and ratified by Congress in December, which permitted similar postponement of reparations and prevented further financial collapse and moratoria on private debt payments by Central European countries. This strengthened the banking situation here, but did not prevent suspension of gold payments by Britain.

(2) Effects of suspension of the gold standard in September—domestic bank runs, suspensions and hoarding, with large gold outflow—led to establishment of the National Credit Corp., on suggestion of the President, by private cooperation among strong banks to aid weaker ones. This did not involve Congressional action, but its failure to stop bank closings and hoarding led to:

R.F.C. Is Born

(3) Creation of the Reconstruction Finance Corp., with \$500 millions capital and \$1½ billions borrowing power, to make loans to banks, insurance companies, building loan associations, railroads. These loans were intended to support security values, prevent liquidation, avoid railroad receiverships, stop bank suspensions. Over \$1 billion has been loaned for these purposes by the Corporation. In addition part of the Corporation funds were set aside for loans to agricultural credit organizations and for seed and crop production purposes.

(4) Passage of the Glass-Steagall Act empowering Reserve Banks to discount other than regularly eligible paper for member banks in emergency, and to use government bonds in place of commercial paper as backing for Federal Reserve notes. This measure was designed to supplement the R.F.C.'s powers in preventing bank suspensions, and to offset the effects of gold exports in forcing contraction of Federal Reserve credit. Following passage of this act, the Reserve banks undertook large-scale open-market purchases of government securities in the effort to stimulate credit expansion by member banks, but so far without effect.

(5) Increase of capital of the Federal Land Banks by \$125 millions, and extension of powers of the intermediate credit banks to discount farm paper and market their debentures. These measures were designed to ease the farm mortgage situation and to expand agricultural marketing and production credit facilities.

Balancing the Budget

(6) Approximate balancing of the budget for the fiscal year ending 1933, by additional taxes estimated to yield \$1,118 millions and reductions of appropriations and special economy measures totaling \$1 billion below the budget for 1932. In view of the probability that the new taxes will yield less than expected, and that war debt payments, now included in estimated revenues will not be received, the budget may not be fully balanced, but the effort in this direction was helpful in restoring financial confidence, and in lessening the prospective government demands on the capital market, upon which the Administration depends for recovery.

(7) Establishment of a system of home loan mortgage rediscount banks, to aid in refinancing small residence mortgages and assist in new building. This additional financial machinery is not expected to do so much in stimulating construction as it is in easing the pressure of deflation on the small home mortgage debtor.

The Final Act

(8) By its final "Emergency Relief and Construction Act," Congress added \$300 millions to the borrowing powers of the R.F.C. for purposes of direct unemployment relief loans to states where local relief resources are exhausted, and \$1,500 millions for loans to public and private agencies for construction of self-liquidating projects for public use. In addition about \$300 millions of federal public construction is provided for, chiefly roads and army

post work, some of which is already contemplated and the rest is to be undertaken only if the Treasury can finance it without additional borrowing at too great cost.

The most important provision of this relief measure is an amendment of the Federal Reserve Act permitting Reserve Banks to make direct loans to individuals, corporations, or partnerships, on paper eligible for rediscount, where regular bank accommodation is not obtainable, subject to approval and regulations by the Reserve Board.

Business Initiative Needed

The extent to which this provision will be used depends largely upon demand from business and upon the attitude of the Reserve authorities and the commercial banks toward credit expansion. It introduces for the first time the factor of potential competition between the Reserve Banks and member banks, and greatly expands the powers of the Reserve system when taken in connection with the other new measures.

The final relief measure also authorizes the R.F.C. to finance export of farm products, except holdings of cotton by the Farm Board and the Cotton Stabilization Corporation; to make loans to "bona fide" institutions organized under state laws for orderly marketing of agricultural commodities and livestock; and to create agricultural credit corporations in any of the 12 Federal Land Bank districts, with capital of not less than $3 millions from the R.F.C.

Practically Hoover's Program

These measures complete the general recovery and relief program of the Administration in substantially the form suggested by the President, though the final Relief bill was a Congressional creation, sponsored by the Democrats who compromised with the President on some of its features. They were all essentially credit measures, intended to offset the effects of deflation and promote credit expansion through regular channels without resort to outright inflation.

The nearest approach to direct inflationary effort was the last minute rider attached to the Home Loan Bank Act permitting national banks to issue about $1 billion in new currency against outstanding issues of government bonds bearing less than 3⅜% interest. This measure, suggested by Senator Glass as a substitute for the Goldsborough bill commanding the Reserve authorities to raise commodity prices to the 1926 level, is not mandatory and may or may not be used by the national banks, depending upon how much profit they can make by issuing the new currency.

The Goldsborough bill, indirectly inflationary in intent, as well as a dozen other bills providing for various forms of inflation, including the Veterans' Bonus bill, failed to get through. Inflationary sentiment in Congress was strong, but not yet strong enough. Congress did appropriate funds for participation of delegates in an international monetary conference, in which the silver question was to be included; but the silver enthusiasts made little progress in this session.

Among the other measures of more or less importance to business in this session were the restriction of the use of federal court injunctions in labor disputes, and the submission of the "lame duck" constitutional amendment shifting the beginning of Presidential terms and Congressional sessions to January after elections. A Democratic tariff bill, taking power of changes under the flexible clause from the President and calling for international conference negotiations for tariff reduction, suffered uncontested veto, as did bills extending pensions and regulating wage rates on federal construction.

The major questions left in suspension by this session are: proposals for banking reform included in the Glass bill; all fundamental proposals for agricultural relief offered by the farm organizations; measures for amendment, suspension, or improvement of the antitrust laws; Philippine independence; railroad reorganization and reconstruction; the veterans' bonus issue; the war debt problem; and prohibition.

Congressional committees during the summer will initiate or continue investigations on sale of foreign securities in the United States, stock exchange activities, loans made by the R.F.C., the Farm Board and the commodity exchanges, the St. Lawrence waterway, veterans' administration, utility holding companies, and competition of government with business.

Job Power of Relief Projects Is a Matter of Definition

EMPLOYMENT created by the Relief bill may be astonishingly great or disappointingly little. Two factors will determine the amount of work it provides. One is the willingness of the public and of elected officials, state and municipal, to undertake new projects. The other, equally important, is the interpretation of the act by the Reconstruction Finance Corporation.

What is a self-liquidating project? The answer to this question will make a difference of hundreds of millions of dollars in the volume of construction eligible for loans.

The act itself makes a start toward a definition, but only a start. It seems to be the intent of Congress that bridges, waterworks, mass housing, tunnels, docks, viaducts, canals, markets, and reforestation which will pay for themselves "within a reasonable time" through fees, tolls, rents, or other charges "other than taxation" shall be considered self-liquidating, and therefore eligible for R.F.C. financing. But what is a reasonable time?

More pertinent—are benefit assessments taxation? Leaders of the construction industry, who were active in assembling data for Senator Wagner and in working for passage of the bill, contend that special assessments on benefited property are not taxation within the meaning of the act, but are in effect cooperative instalment payments. For example, a project to construct remedial works to remove flood hazard from a stream flowing through a city, the cost spread in direct proportion to benefits to property within the flood area, is not being paid for out of taxation, it is contended, and therefore is eligible for a loan. But if the R.F.C. takes the narrower view, the possible scope of work under federal aid will be sharply restricted.

The question of waterworks is particularly interesting. Waterworks are specifically mentioned in the act as eligible, if self-liquidating. Obviously, if receipts from water meters and water taxes are earmarked for service of the debt, there would be no question about their self-liquidating character. But receipts from water supply are not so earmarked in the vast majority of cities. Detroit, for example, which used to set water receipts aside in a special fund, discontinued doing so early this year.

It has been estimated that to bring the water supply systems of American cities up to date—taking no account of providing for future growth, but merely

Wide World

DESERTED VILLAGE—*The Capitol, seen here across the newly-completed plaza, is quiet again. Congressmen hurried home after the longest session in years. Only bonus marchers disturbed the peace*

modernizing and making fully efficient existing capacities—would cost $500 millions.

Opinion of numerous authorities is that this earmarking of water funds could be accomplished easily in most cities by mere ordinance.

It is not possible to tabulate all the works that might be constructed under the terms of the Relief Act. Seeking the cooperation of engineers and municipal authorities and business men, Senator Wagner compiled a list of projects that totaled $2 billions.

After some study of the situation, *Engineering News-Record* suggests that a million men could be given employment on new construction through R.F.C. loans. Of course, there is no suggestion that this mark will be reached.

Those 5 Refunding Issues Look Like Reviving Issues

Their success presages the revival of interest in long-term investment needed to start recovery

SUCCESSFUL flotation of five new issues of bonds, debentures, and notes by strong utilities, along with the strengthening of the bond market and a general improvement in financial sentiment since the beginning of July, have raised hopes of an early and vigorous revival of the investment market. These new issues, totaling about $80 millions, to be used for refunding maturing obligations, were well absorbed without checking the steady advance in the general bond market.

This is considered a favorable sign, first because the utilities have about $350 millions of maturing obligations to be refunded in the second half of this year—an unusually heavy burden in a period of disturbed financial confidence. Second, it is well understood that a revival of interest in new investment for capital purposes and reduction of long-term capital costs is a prerequisite of business recovery.

Successful refunding of maturing obligations at somewhat easier rates is a first step. Though not directly effective in producing new employment, it is helpful in sustaining business activity which must otherwise be reduced by economies to conserve corporate cash positions.

Although the rate carried by these new refunding issues is still relatively high, with yields of 5½% or more, it is hoped that the active investment interest in them will mark a turn to lower long-term capital costs and renewed flow of capital into long-term investment. The depression in the domestic capital market is reflected in the average of about 8% yield on Moody's list of 120 domestic bonds of high rating, with the utilities at a yield of 7¼% and the industrials at about 7¾% during the first week of July.

Striking Shrinkage

The slackness of the new capital market in face of these high rates is shown in the *Chronicle's* comprehensive compilation of new flotations for the first six months of this year. The general lack of investment confidence is reflected in the striking fact that total corporate, foreign government, farm loan, and municipal financing during the first half of 1932 was only $894 millions as compared with nearly $3 billions last year, over $5 billions in 1930, and the peak figure of $6.3 billions in 1929..

Of this small total $232 millions or nearly a quarter was for refunding purposes, and only $661 millions represented new capital, while of this new capital only a bare $160 millions was for domestic corporate purposes, the remainder being state, municipal, and farm loan issues. This $160 millions compares with $1.3 billions in 1931, $3.6 billions in 1930, and $4.7 billions in 1929. This is a measure of the extent to which the flow of new investment funds into American business has dried up during the past year.

The Treasury's Operations

One collateral reflection of the collapse of investment confidence, as well as an active factor in the drying up of new private investment, is the fact that during the first half of this year the federal government, through new borrowings exclusive of refunding issues, took $1.7 billions out of the capital market, or more than ten times as much as went into new private investment in that period. In fact, the new capital raised by the federal government was more than a billion in excess of the amount raised for domestic corporations, farm loan issues, and state and municipal financing together.

The *Chronicle*, commenting on this extraordinary development, says that

new financing by the U. S. Government is now on a greater scale and represents larger new debt creation than all other sources of new capital issues combined." As the demands of the federal government on the capital market are reduced through efforts to balance the budget in the current fiscal year, it is expected that the flow of investment funds into private capital uses will be increased.

No Foreign Issues

The new financing record of the first half is extraordinary also by reason of the total absence of any foreign issues, governmental or corporate, for the first time in many years. Last year there was considerable Canadian financing in the American market, but this year our neighbor turned to London for new funds. There were likewise no issues of investment trusts, trading or holding companies offered in the market this year, although there has been some private shifting of fixed trust securities.

All but about $10 millions of the new financing, including refunding issues, for the first half of this year was in the form of long- or short-term bonds or notes. The amount of common and preferred stocks offered was less than a twentieth as much as last year, and compares with about $3½ billions worth in 1929. Convertible issues of bonds or preferred stocks are still favored in some measure.

London's Revival

In strong contrast with the striking slackness of the capital market in this country has been the marked revival in London, especially during the second quarter of this year. For the first half, new capital issues, not for refunding purposes, were £163 millions (about $570 millions at average exchange) considerably above the £89 millions of last year, almost as much as in 1930, and but little below the £174 millions for the first half of 1929. This amount, however, includes British Government loans of £103 millions, showing an even greater preponderance of governmental demands upon the capital market than in this country. Actual new capital raised for private corporate purposes was about the same as the $160 millions shown for this country.

As in this country, the bulk of the new financing is in bonds. Rates are somewhat easier than in the domestic market, especially since the effect of the British war loan conversion began to be discounted a few months ago. During the half year the yield on long-term British government securities fell from 4⅞% to under 4% and has been more closely paralleled by the yields on new offers of high-grade securities in the London market than in this country. A January issue of the Central Electricity Board yielded over 5¼%, but it was able to borrow in June at under 4¾%. Industrial borrowers, however, are still paying from 6½% to 7%, but the marked revival in the London security market accompanying announcement of the conversion operation has tended toward rapid reduction of costs of long-term capital for the stronger enterprises.

Lumber Must Cooperate Before Washington Can

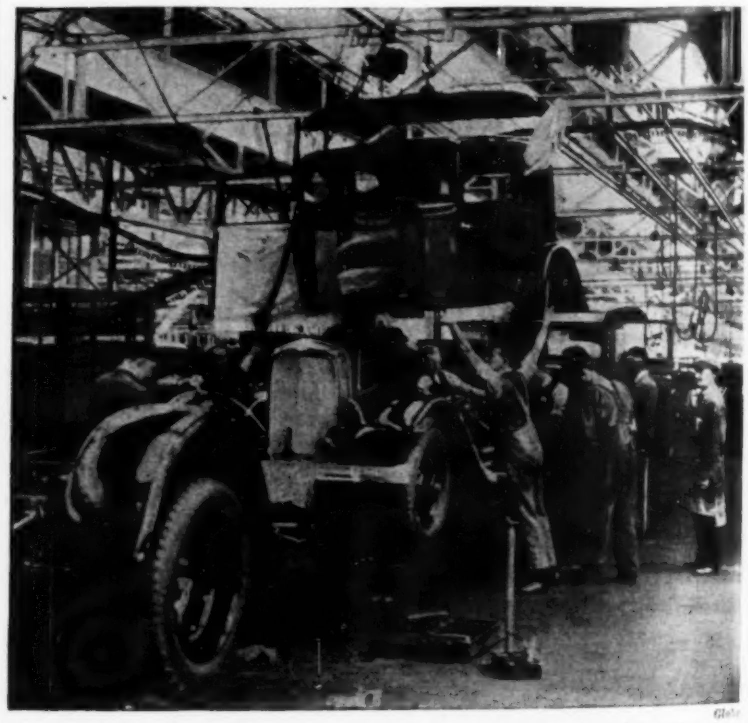
ALTHOUGH President Hoover favors a test suit to determine whether lumbermen in the Pacific Northwest can find a remedy for destructive competition within the anti-trust laws, the proposed marketing agreement still has a long way to go before it gets into court.

Active proponent of the scheme, Senator Steiwer, of Oregon, declares that the agreement would reduce the shocking waste of timber and also relieve unemployment, but the question still is whether a sufficiently representative group of producers will consent to stand as defendants in an anti-trust action.

The cost of the litigation also may put a damper on the proposal, especially since the National Lumber Manufacturers Association is holding aloof. That organization is vitally interested in the outcome but cut off diplomatic relations with the northwest territory when the lumbermen in Washington and Oregon demanded a tariff on lumber and succeeded in putting it in the tax law. The West Coast Lumbermen's Association, now undergoing reorganization, has not come to the support of the plan.

Attorney-General Mitchell is ready to "cooperate" as soon as the lumbermen cooperate with each other and set up a target like Appalachian Coals, Inc., the joint selling agency of Southern bituminous coal operators which the Department of Justice will test out in an early anti-trust suit (*BW—Jan 13'32*).

President Hoover's sympathies are with the lumbermen but beyond suggesting to Governor Meier, of Oregon, that a test suit may help them to get out from under the anti-trust laws, there is nothing he can do about it. Congress showed a disposition to raise rather than lower the bars when the President suggested last December that a study of the economic effect of the anti-trust laws might support the widespread conviction that some change should be made.



DETROIT? NO, DAGENHAM—*A Ford Assembly line looks about the same under any flag. This one is turning out "baby" models for European sale*

Our "Excess Plant Capacity" May Prove to Be an Illusion

MANY of our economic troubles, including, finally, the depression, have been blamed on excess production capacity. But many of those who have laid the blame at this door haven't been altogether clear as to what they have been talking about. Confusion arises from the fact that, in their talking and thinking, they sometimes fail to distinguish between two kinds of excess.

Most manufacturing plants have more equipment than they would need if they could operate 24 hours a day, day in and day out without regard to seasonal fluctuations, variations in demand, storage facilities, or traditional labor practices. But most plants don't operate that way. Few have more machinery than they need to produce, under normal conditions of operation, the quantity of goods required to satisfy the normal demands of consumption in a given period of time.

Conference Board's Conclusions

The National Industrial Conference Board, which has just ploughed through a statistical inquiry into this confusion, concludes that it is extremely doubtful that there was any general pre-depression excess of manufacturing capacity in the strictly economic sense. On the other hand, technical excess capacity "appears to be an unavoidable concomitant of industrial society."

Of course, any industry has excess capacity when permanent changes in demand drop its products from public favor, and all industries suffer temporary over-capacity when all products lose favor as they do in a depression. However, the latter may be deceptive. Says the Conference Board: "In view of the rapidity with which equipment becomes obsolete and the fact that in the past two years there has been little replacement, the opinion is held by some well-informed persons that, far from having at the present time an excess capacity American industry is not properly equipped to meet a normal demand for its products."

Tariff Commission Faces a Test Suit

IN the administration of the flexible tariff during the past 2 years the Tariff Commission lays claim to an enviable record. It has disposed of numerous cases in jig-time, sending 42 reports to the President and dismissing 40 others. But now it has a court battle on its hands.

Domestic casein producers claim that the commission has, in effect, denied them the right to be heard by refusing to reveal cost data in its possession or to put its investigators on the stand for examination in the appeal for a reduction in the 5.5¢ per lb. duty sought by Argentine competitors. The commission will answer the complaint July 25, will submit no casein report pending the test suit.

Sugar People Disappointed

In the meantime, it has disappointed domestic sugar refiners by its failure to recommend an increase in the tariff differential between raw and refined Cuban sugar. The duty on raw sugar is $2 per cwt.; on refined $2.12. The domestic refiners claim that, as they must pay $2.14 on the 107 lbs. of raw sugar required to make 100 lbs. of refined, the Cuban refinery has an advantage of 2¢ on every bag. They think low Cuban costs warrant a differential of 50¢ per cwt.

However, the commission reported that the difference in cost is so small that it was not justified in specifying either an increase or decrease, at least until after it has completed its investigation of the comparative cost of producing raw sugar—sometime next winter.

It added that there is no prospect of an early expansion in the Cuban refining operations that now account for 5% of consumption of refined sugar in this country, pointed out that refining processes are so mechanized that little employment would be created if all the refined sugar now imported from Cuba were refined in the United States.

Summer Slump Hits Motors' Belated Boom

AUTOMOBILE production, which rose to a belated peak in May some 25% above April, was expected to go higher in June, but failed to make the grade.

However, June production totaled 190,600 units, only 1½% below the 193,270 recorded in May.

Chrysler proudly announces a 10% gain in registrations for the first 5 months of this year, is the only group to make such a gain. Credit "floating power" and the dashing lines of the Plymouth and DeSoto.

General Motors' sales in June were 10% below May; sales to dealers dropped 21%. Buick shipped 3,200 cars in June as against 2,913 in May.

Graham, first to offer a 1933 model, a significantly smaller and lower-priced edition of its aerodynamic Blue Streak, shipped 1,276 in June, a gain over April and May. Schedules have been stepped up twice, and the factory is working 5 days a week.

Willys, likewise with a new streamlined model, cheerfully reports an increase in June.

Auburn, following spectacular price cuts and a shift in selling policy (*BW—Jun15'32*), broke the record set in its peak year, shipped 3,232 cars in June compared with 3,219 cars in June, 1931.

In the low-price class, even Ford is feeling the effect of the summer slump. June production is estimated at 95,591 compared with 79,090 in May, but accelerated production and braked buying are burning that backlog of orders at both ends. July output is expected to be lower by 10,000.

Chevrolet sales fell 10% from May to a total of 43,397 in June. Production was 10,000 below that.

Books Cost Too Much? Now It Will Be Tested

MOST of the outsiders who discuss the subject start their conversations, "Now, the trouble with the book business is that books cost too much. Get the price down, turn them out on a quantity basis—." Now an insider is going to test the theory.

Sidney M. Biddell, who has been the "Mystery League" that sells detective tales through 1,500 United Cigar Stores, has signed a contract with Eastern Distributing Corp. providing for retail distribution through 70,000 outlets—the places that sell magazines—of new books in standard cloth bindings to sell at 50¢. "Mystery League" books have sold about 1,200,000 a year. The new books start off with editions of 100,000 each. One book, a murder mystery, is out; two are in process. The printing is done at Kingsport, Tenn.

Authors will be well known. Not all books will be crime tales. Adventure, love, and period romance will have their innings. The contract calls for a maximum of 5 million copies a year.

Oil, Least Hurt by Externals, Is Solving Internal Problems

First major industry to show encouraging trend is aided by forces which injure other markets

THIS is the year when widows and orphans are reversing the old warning, turning to gold mines and oil wells for support. Market letters, investment counselors, wise Wall Streeters generally, are talking oil, calling attention to its strong present position and excellent prospects.

State troopers are holding down production; managements are holding up earnings. Stock prices, which fell neither as fast nor as far as most industrials, have lately been holding their own, even turning up a little on reports of better production control.

In June, this year, dividends paid by all industry totalled $1,647,943,664, a cut of a third from the $2,413,796,794 paid in June, 1931. Oil dividends fell about a fifth, from $169,100,139 in 1931 to $116,273,408 in 1932.

Of all the traditional giants of industry, oil has suffered least from the forces that have racked and riven the world. While others have been beaten and broken by external forces beyond their control, oil's only ill has been internal.

Helped by Circumstance

Moreover, some of the forces which have battered rails and motors and coal have worked to the advantage of oil. Every diverted carload of freight, every lost passenger, is just so much more gasoline burned in truck, or bus, or private automobile. Every empty coal bin is a potential fuel oil tank.

Through all the long deflation, the market for petroleum products has gone almost unscathed. Stop building railroads and automobiles and buildings and you stop making steel. Stop carrying freight, and you stop paying dividends and put a candle in the window for the Reconstruction Squad.

But nothing, apparently, not even the greatest of all depressions, can stop the wandering American from buying gasoline for the family flivver. He'll garage it under the stars, in spite of icepicks and garagemen; he'll forego valve jobs and cheat on the oil, but as long as the old can runs, he'll buy it gasoline.

It is this undiminishing demand which makes the position of the petroleum industry economically sound, which justifies the astute President Farish, of Humble Oil, in saying that the industry "is in a better position today, in the face of current depression, than it has ever been previously since it became an industry of the first magnitude."

There is another factor in the solemn judgment of Mr. Farish, and that is the evidence of oil's ability to cure itself of its only ailment, overproduction.

Anybody's Oil

This ailment is hereditary and traditional. From the earliest days, production has been hitched to discovery, not demand. Below ground, it's anybody's oil, and it recognizes no real estate boundaries.

Thus discovery forces instant production. Once above ground, oil becomes property, must be refined and marketed, whether there's a market or not. Too many wells in a pool inevitably brought too many refineries, and ultimately, too many gasoline service stations.

Even if oil, like wheat, were a replenishable commodity, this would be a sorry situation. But oil is mined, not grown; it cannot be replaced, and industry production control becomes a matter of state and national conservation.

So we have a federal Oil Conservation Board, which looks with favor upon any attempts to save our natural resources. And the Supreme Court itself has decided that a state may have shotgun control of its oil pools if it so desires.

Much Cooperation Needed

The industry has a long way to go before permanent production control is attained. For this, the pool, not the well or the land lease, must become the unit of operation. That means cooperative exploration and development, and production balanced with demand.

Some measure of control has already been achieved, but barring the way to complete cooperation are those antitrust laws which were originally designed to protect the people against shortage.

Imperfect though it may be, shotgun control has brought results. Crude prices are better than they were a year ago; gasoline has advanced steadily since February despite local price wars.

Last year, petroleum producers, refiners, and sellers took a look at balance sheets. They saw few losses, if few profits; the industry as a whole showed a deficit, but it was a respectable deficit and not a débâcle.

Since then, most companies have adapted themselves to the new conditions. Lowered expenses and increased prices should turn deficits into profits.

In the matter of marketing, hard times have stopped a lot of wasteful practices (*BW—Jul6'32*). Any improvement in production is quickly seen in distribution. If too much crude brought too much refining capacity and too many pumps at the curb, curtailment will likewise make itself felt.

With the basic problem of production solved, at least temporarily, the industry can apply to marketing the scientific approach which has resulted in the great improvements in producing and refining in recent years.

Mail Order Catalogues Show Further Price Cuts

THE big mail order houses are distributing new fall and winter catalogues which acknowledge the trend of the times with large price reductions. The Sears, Roebuck & Co. quotations on selected items indicate prices from 17% to 35% under last year's edition. Deepest cuts are in yard goods, men's and women's apparel, house furnishings, and utilities. Sears devotes more space to exposition, emphasizes that prices have not been cut at the sacrifice of quality, furnishes details of construction, finish, design, etc. In a salutation to his 12 million customers Gen. R. E. Wood, president, admits expectation of much home repair work and calls particular attention to items which can be so used. The Montgomery Ward & Co. book employs a new device in classifying items by departments. Compared to a year ago, its prices average 18% to 25% lower, with reductions running as high as 35%.

Mail Order Houses Test Chain Store Hook-Up

INDEPENDENTS have something new to worry about in hook-ups between the big mail order houses and big chain groceries. Latest and most portentous is leasing by Montgomery Ward & Co. of 15,000 square feet in its department store midway between Minneapolis and St. Paul to the Great Atlantic & Pacific

The Business Week

ALL CAPS—*The Royal Signet eliminates the shift key and lowers the price to $29.50. Like the new Remington, the new Royal is after the home and school market. The standard keyboard features a new type*

Tea Co. This will be one of the largest and most complete of A. & P. stores. It will do business under its own name.

The initial test is confined to this one store. Success will lead to establishment of A. & P. groceries in other Ward units. Ward has 17 large or Class A stores, some of which have their own grocery departments. Extension of the St. Paul idea probably would not reach the Class B units as they lack sufficient floor space.

Sears, Roebuck started it by installing a Hillman store as the grocery department in its State Street, Chicago, unit. The idea was developed through the leasing by Sears to Kroger Grocery & Baking Co. of space in department stores at Cincinnati, Indianapolis, Chicago, St. Louis, Kansas City, Detroit, Minneapolis, Memphis.

There is a sound psychological basis for the experiment in present-day conditions: People must have food. They will buy where prices are low. If they come into a store to get chain groceries they will purchase other merchandise.

Record Sale Shows Growth of Mohair Vogue

LARGEST single sale in the history of the industry, Sanford Mills and Goodall Worsted Co. purchased this week 14½ million pounds of mohair from the Farm Board. The price was 6¢ to 8¢ a pound. The quantity is about equal to the entire American clip for a year. It wipes out much of the government's accumulation.

Sanford mills make fabrics for automobile upholstery and for furniture. The Goodall mills make Palm Beach cloth, popular this year, and supplying enough evidence of growth in vogue to cause Goodall to plan considerable expansion in capacity.

"Selective Selling" Brings Back the Wholesaler

EXPERIENCE, the great teacher, has brought textile mills to a realization that the jobber and wholesaler are useful, after all. That is the real meaning of all the agitation for a plan with the high-sounding title of "selective selling" which is being discussed in daily conferences between 200 manufacturers and wholesalers gathered in New York from all sections. The Wholesale Dry Goods Institute sponsors the plan.

Ramifications and details are complex and almost endless. In essence, however, the idea is that mills shall give wholesalers exclusive franchises to handle their output and shall stop undermining the wholesalers' position by making price concessions to other buyers —in particular, to large retailers. In return, the mills want the wholesalers to handle entire lines, not just the part they happen to fancy, and to cooperate by placing orders large enough and far enough in advance to permit economical mill production.

The National Knitted Outerwear Association and the Dry Goods Institute started the movement in June. It was predicted at that time that the plan would spread to other divisions.

Refrigeration Bureau's Future Is in Doubt

REPORTS that the Electric Refrigeration Bureau faces dissolution at the end of the year are being widely discussed throughout the vast network of household refrigerator distribution. Reasons given are lack of financial support, dissension among leading members and some feeling in the industry that the educational period of electrical refrigerator history is over.

The bureau was created in 1930—when people still had to be sold on the idea of electrical refrigeration in the home—by 10 members of the refrigeration section of the National Electrical Manufacturers Association. Through 800 local bureaus it set to work to tie the sales efforts of the manufacturers into local campaigns, conducted jointly by dealers and utilities, so that all branches of the industry might capitalize on national advertising expenditure.

Praise has been widespread. Some manufacturers believe the industry would not have reached its remarkable million-unit sales goal in 1931 nor come as close as 85% of its 5-month quota under 1932 conditions without the bureau.

There have been some suggestions for changes. While the 10 makers supporting it are probably the most important in the field, many others, including invaders from radio manufacturing, have come in since it was started. (*Electrical Refrigeration News* recently listed 49 refrigerator companies making 342 models.) Critics say that bureau membership should be widened to include these—and their financial support—since they all share in the benefits.

Electric range manufacturers have been particularly anxious to keep the work going, perhaps on a broader base, feeling that it can further the success of the current electric range campaign (*BW—Mar9'32*). Distributors and dealers interested in selling a larger variety of electrical appliances stress the local bureau's value in developing the dealer and utility cooperation which they hold necessary to complete exploitation of the appliance market.

When Sales Lag in Old Markets, Glass Industry Finds New Ones

Ford and home canning help some lines; others are just using smart sales and research technique

THE flat glass industry has taken its dilemma by the horns and boosted prices. Since the first of the year quotations on window glass, wired glass, rolled glass have been advanced 12%. There is nothing in the building situation to cause the increase; the feat is achieved purely by strength of character, manufacturers having wearied of dog-fight competition which lost money for everybody. The larger companies declare they are determined to abide by the new scale, that they are sick and tired of taking red-ink orders, that they are going to land new business at a profit or let it go to mills willing to operate at a loss.

Plate glass is not affected. To the envy of other branches the plate glass people have stuck by their guns and maintained respectable price levels all along. One reason why they can do this is the domination of production by 2 large and well-managed companies—Pittsburgh Plate and Libbey-Owens-Ford. They got a break at the turn of the year when Henry Ford gave up making his own glass and started splitting orders between the above-mentioned concerns. It is hoped that this will help overcome the lag in building and in other automobile demand. Further, the glass people are benefited by the removal from the market of excess production which Mr. Ford was in the habit of unloading on the general market.

Some Glass Cuts

Other lines of the glass industry have been less fortunate in their struggle against price-undercutting. Makers of commercial containers (bottles and jars for food, medicines, beverages, etc.) suffer from the ailment. Shipments for the first 5 months of 1932 were 17% below last year which was, in turn, 5% below 1930. Looking up at these figures from their present situation, some industries would consider the above a state of prosperity. Yet fearful things have happened. A standard ketchup bottle that sold in 1928 for $5.20 a gross, was $4.00 earlier this year, has just been cut to $3.25.

Manufacturers of domestic fruit jars (the Mason Jar of your mother's kitchen) have been aided in price sustenance by one of the recurring increases in home canning. At one time last year the factories enjoyed an old-fashioned runaway market, with plants operating nights and supply behind demand.

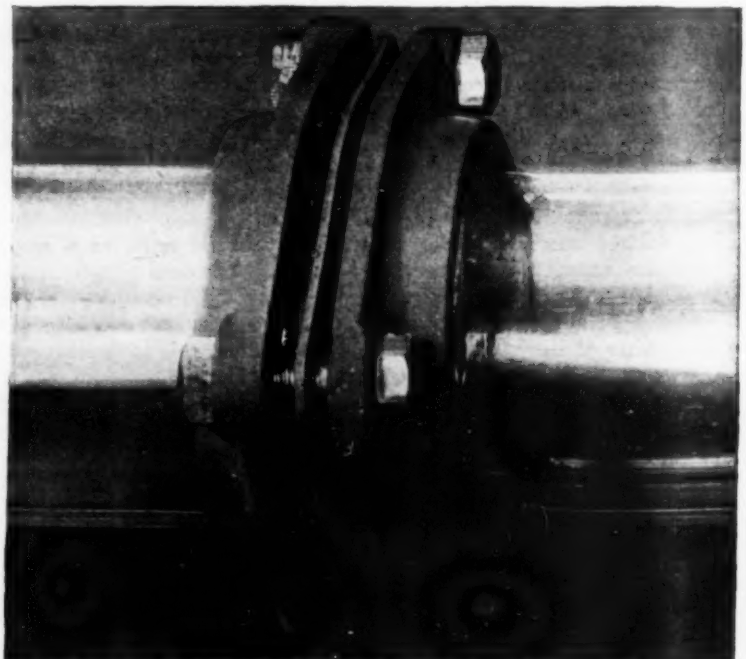
A freak condition in dealers' stocks superimposed on a big fruit and vegetable crop was the cause. Under normal conditions orders from jobbers indicate early in the summer how much buying manufacturers must meet. Last year retailers refused to place orders, so did the jobbers. Not till housewives started calling for jars in the stores and found no stocks, did the demand begin. Rush orders resulted and by the latter part of August factories were going full blast. This year may see a repetition as a canning increase is expected. (Few packers are concerned about this kitchen activity. They say inexpert technique spoils much food, discourages the housewife, insures her return to industrial brands when times get better.)

The search for selling stimulants grows more intense in other lines of the glass industry. Makers of glass tableware had been doing a good business but report considerable declines since June 1. Low-price producers have uncovered a depression market for which they are actively competing. With the hardening of sales resistance in foods, beverages, etc., makers have resorted to the old free-premium idea. Heavy demands for premium wares are expected during the rest of the year and glass manufacturers are planning to go after it hard.

Continued pressure has brought to light smart examples of sales and technical research. Blackboards are now being made of a glass which its manufacturers declare superior to slate for schoolroom use. The Ideal Cut Glass Co., Canastota, N. Y., has recalled workers for cutting table stem-ware in designs to match silverware patterns of the Oneida Community.

Glass Pipe Possible

Laboratories and sales executives of the Corning Glass Works, Corning, N. Y., also have been busy. After years of experiment, Corning announces that it has perfected its glass piping. There has long been a need for glass pipe in food, chemical, and mining plants where the conveyance of hot or corrosive liquids is a problem. In food plants glass offered cleanliness with complete



The Business Week

GLASS PIPE—*Long-needed in the food and chemical industries, glass pipe development has been handicapped by lack of a workable joint. Corning has perfected a compression fitting which permits the use of Pyrex pipe*

visual inspection. One difficulty was the need for regular removal of lines for cleaning. A joint that was air- and heat-proof, that could be put up and taken down by ordinary mechanics without breaking had to be developed. Corning now announces that it has produced a satisfactory joint for its Pyrex brand piping. Sections are brought together by a wide-flange metal collar with asbestos inserts which absorb the pressure of bolts and form a heat-resisting seal.

Corning announces also a perfected method of glass casting which puts the company in competition with other products. They are now able to cast 100-gallon containers which will rival porcelain in food and chemical plant specifications. The same system will permit the casting of large ornamental groups for the decoration of buildings. A glass piece of 820 pounds has been successfully cast. Toughness of the glass makes it as hard to crack as glazed tile. This puts glass in direct rivalry with metals and ceramics in outside and inside building decoration. Glass buildings already have been made possible by the Corning glass brick.

The Farm Board Removes An Incubus—And an Alibi

WHEN Jim Stone publishes the story of the third year of the Farm Board over which he presides, as he soon will in the board's annual report for the fiscal year ended June 30, he will probably put special emphasis upon the fact that the board will soon have liquidated its little experiment in stabilizing wheat and cotton and left the field to the well-known forces of supply and demand. He has already, with some cynicism, called the attention of the wheat and cotton markets to the fact that the board's surplus stocks of these commodities are no longer the dense cloud overhanging the market which they once were and which served as an excuse for the trade's reluctance to give speculative support to prices; and he has asked why the cotton and grain trade do not go to it now that the incubus has been removed.

Surpluses Unloaded

The board has indeed gone a long way toward unloading its surpluses, partly by persistent policy, partly by happy accident of the depression which induced Congress to commandeer some of them for relief purposes. A year ago, when it stopped buying wheat, it had purchased a little over 329 million bushels at an average price of 82¢ a bushel. At that time the Grain Stabilization Corp. owned 257 million bushels, about three-quarters of the country's carryover. Since then 47½ millions have been sold abroad, 85 millions given to the Red Cross, 81 millions sold in "normal" trade in the domestic market. Twenty-five million bushels are stored in Canada, probably to be disposed of there. The board has also 30 millions of wheat futures which will not be taken up. This leaves about 18½ million bushels of cash wheat to be sold—less than a half-month's milling supply.

Of the 1,300,000 bales of cotton acquired by the Cotton Stabilization Corp., 500,000 will be given to the Red Cross, and 650,000 bales will be sold during the year beginning Aug. 1 under an orderly marketing plan, so that by the end of the next fiscal year very little—150,000 bales—will be left.

Sold at Half Price

On the financial side, of course, the outcome is not so happy. The wheat that has been disposed of has probably brought an average price of about half what was paid for it, and the same is true of the cotton, although the cotton to be sold during the coming year may bring a somewhat better price. In addition, a large amount of cotton financed by the board is being held by the Cotton Cooperative Association, and a good deal of wheat by the Farmers' National Grain Corp., so that the financial losses to the board will be considerable.

But the fact that these stocks are pretty well disposed of should be a helpful factor in the commodity markets. Incidentally, since the wheat and cotton turned over to the Red Cross is to be paid for, the Farm Board will be able to secure additional funds sadly needed to continue its regular work of assistance to cooperative organizations. It got no new appropriations from Congress for co-op loans, and its regular appropriations for operating expenses were greatly cut down.

Chairman Stone's aforesaid cynicism about the grain and cotton markets has been stimulated by the fact that, despite the practical disappearance of the Farm Board from the market picture, the forces of supply and demand do not seem to be supporting the higher prices which the trades promised. Wheat prices have dropped to new record lows, even though the domestic supply promises to be considerably smaller this season, and cotton prices have been weaker in face of a 10% acreage reduction and prospects of large weevil damage.

The Farm Board alibi is gone, but the depression psychology in the speculative market is not. Besides, the commodity traders are unhappy over the new taxes on trading and are finding in them a new excuse for pessimism, now that the Farm Board scapegoat has played out.

Employee Loans Help Bridge the Depression

CONTINUATION of the slump into its fourth winter will enlist in the ranks of the unemployed an increased number of workers to whom want has, hitherto, been a stranger and charity an abomination. It will also find public relief funds, to whom such workers have themselves been recent contributors, pretty well whittled down by the needs of earlier and less stable applicants.

For such laid-off employees, who are likely to get the preference when re-employment starts up and depleted forces can be replenished, several companies have set up loan facilities, some of them through arrangements too informal to be called "plans" and most of them merely to meet the present emergency. A few have long had regular loan programs in effect and others are applying loan provisions set up to supplement company unemployment benefits.

Social Banking

In a study of such plans, just published, the Industrial Relations Section of Princeton University finds that, while they are undeniably helpful so long as few employees are fortunate enough to receive unemployment compensation, they have their limitations as a method of relief and, in every case, call for the technique of the social worker rather than that of the banker.

Loans are, in general, limited to $200 and some companies advancing them frankly admit the possibility that, in many cases, they are unlikely to be repaid. Most repayment plans call for advance authorization for payroll deductions when and if the laid-off beneficiaries are re-employed. In the few

instances where interest is charged it is made collectible in the same way.

Funds are usually furnished by the company, though some concerns have raised them by matching contributions from officers and employees still on the payroll with equal amounts from the treasury. Employee members are often included on administration committees. Some concerns have substituted for money loans, credits on local grocery stores or on their own commissaries. Occasionally the loan privilege is abused by not-so-needy employees who figure that getting onto the company's books is a good way to insure re-employment.

Northwest's Unemployed Have Found They Can Help Themselves

But the question of how much they will eventually help themselves to worries some of the taxpayers

The Unemployed Citizens League idea is spreading so rapidly from its native Seattle that conservatives wonder with apprehension just where it is going to end. This League probably is the most remarkable of all our depression organizations. It was formed by unemployed as a means of swapping work for the necessities of life. Compactly organized and competently operated, it has kept over 40,000 persons in food, clothing, and shelter without money and without accepting the ordinary forms of charity.

On this showing it is a commendable experiment. But, ask the timorous, where do they go from here? The Pacific Northwest was one of the breeding spots for the more violent bravos of the I.W.W. Isn't it possible that if conditions grow worse, such organizations will do less asking and more taking? The idea is marching on Oregon and California, where civic and business leaders are being urged to relief measures which will forstall multiplication of the Leagues.

Political Prophecy?

This spring furnished a foretaste of what may happen politically. At that time the Seattle League (organized in July, 1931) swept a friendly mayoralty ticket into office (*BW—May4'32*). Tacoma, Spokane, Bellingham, and other cities now have Leagues. At a recent convention, representatives formed the United Producers of Washington, which includes farm as well as industrial members. This combination hopes to swing the balance of power in the coming state elections and obtain passage of relief measures.

Like it or not, the affected districts admit that they are observing a most unusual experiment in social cooperation. In the councils of the League are business executives, storekeepers, engineers, etc., who have been liquidated by the depression. They furnished the technique for organizing, creating office systems, working out collection and distribution plans. The *Oregon Voter* points out that a going concern has been created which, without a currency medium, exchanges raw labor for life's necessities.

Central Commissary

A Central Relief Committee is the governing body which works through underlying committees to direct all League activities. These include: food, fuel, clothing, housing, transport, gardens, shoes, health, entertainment. All clear through a central commissary which handles accounting, warehousing, assignment of service, and distributes supplies to the 25 local groups.

Transportation was solved in a unique fashion. Unemployed mechanics explored junk lots for discarded automobiles and parts. They knocked together enough service cars and trucks to transport workers and distribute supplies. Gas is obtained by "chiseling." A committee waits on the executive of an oil company and asks gas for a certain purpose. If he declines, they move on to another oil office and the first executive is visited by a second—and a larger—committee. These committees keep coming until some manager succumbs to the weight of numbers or diversity of argument. No threats are used. Donors are thanked on the spot and through official resolution.

Most jobs are obtained from farmers and fruit growers since there is a market for labor which can be paid for in food. Box materials are chiseled. League trucks take berry pickers to the farms, bring them back with their share of the berries. This is distributed direct to the families of the pickers or turned over to the Central Commissary.

Chiseling is used to soften the hearts of landlords. When a family is to be evicted, a committee from the local visits the house owner and offers to make repairs in lieu of the rent. If he declines they "give him the works"—they point out violations to building and fire ordinances and convince him that it would be advisable to let them put the place in order. When tenants are evicted, ramshackle houses are sought out and put in repair if the owner will agree to let the needy families use them.

A main policy aids in the preservation of personal pride. Unemployed tailors repair men's clothes. Seamstresses do the same for women of the League.

Must Work to Eat

Every able League member must do at least 2 hours work a day to obtain supplies and services. He is credited at 50¢ an hour and may draw necessities whose costs are computed in the same vay. Skilled (but jobless) stenographers and bookkeepers operating chiseled typewriters and office machines keep track of all transactions.

Since the League helped elect Mayor John Dore, his administration handles the unemployed with fitting tenderness. At first when the city cut off water for unpaid bills, a committee would dig down to the pipe, short-circuit the cut-off valve, connect the water again. This might have to be repeated. Now they just let the water run. The city light plant allows a family to equip itself with oil lamps before shutting off the juice. A lenient policy aids the needy in substituting wood for gas stoves.

What Next?

So far discipline has been maintained. All meetings are open and lively. They are attended by professors, students, politicians, propagandists. Leaders are emphatic in protesting their loyalty to America, their distaste for communist doctrine. If the crisis grows worse, there is an admitted danger of violence getting the upper hand. This is what worries conservatives.

They say that all the League's exploits are not broadcast by the press. One doubting organization alleges that a "committee" of 500 turned on water that had been cut off and stood guard over its illegal gushings. Also that a family's furniture was moved back into a house from which it had been ejected and the landlord was advised not to try it again. Such tales are disturbing to watchers in other parts of the country, who anticipate similar experiments there if relief efforts fall short.

International News

TAX TIMER—*Business is watching its telephone time to get the maximum of message and the minimum of tax on long-distance calls. At the sand-glass, is J. J. Anton, vice-president of the First National Bank of Chicago*

Garment Workers Are Meeting An Old Issue With New Tactics

To thwart hard-times return of sweatshop, they demand limitation on contractor-competition

PAY by the week, won in the cloak and suit industry after years of struggle, is under attack by employing organizations which justify the move by citing the depressed state of their markets. Workers and executives all over are watching the struggle which centers in New York. There employers seek a return to the old system of piece-work. Union leaders, determined to hold their gains, declare they will never surrender the weekly-pay principle, that its abolition would eventually mean the return of sweatshop horrors.

The Danger Point

Equally determined is the New York union to do something about the exploitation by jobbers of manufacturing contractors. There are too many of the latter. In their eagerness for business they quote ruinous prices, and attempts to cut costs make them bear down hard on labor. The union proposes to limit the number of contractors and to establish minimum standards of price.

The New York fight is led by the International Ladies' Garment Workers' Union—a well-managed organization with a habit of winning its disputes. By a vote of 11,000 to 400 the union declared for a strike if demands were not settled. Labor negotiators held this club when they faced the employing organizations in conference.

The contention of the employers was that the former wage rates were fixed during the unreal conditions of 1929 and that they had to be revised down to the realities of 1932. The International presented a solid front against a broken field of opponents. The union claims a membership of 27,000, most of whom are men. Here is one secret of their solidarity. Dresses, unlike coats and suits, are made principally by women, who are harder to organize and harder to hold in line.

New York negotiations included 3 employing organizations: (1) The Industrial Council of Cloak, Suit & Skirt Manufacturers, Inc., made up of inside shops, or large firms which design, make and sell garments; (2) Merchants Ladies' Garment Association, jobbers who design but engage contractors to make up their styles; (3) American Cloak & Suit Manufacturers Association, contractors who get their business mostly from jobbers and who actually manufacture the garments.

Best-organized, strongest, most liberal are the inside manufacturers. There are some 285 of them and they claim a 55% slice of the total business.

Gamble on Styles

The second group of 250 jobbing firms lives a hazardous existence, gambling on styles. At first the jobber was only a sales office where models, originated and made by the contractor, were sold to retailers. But as style enlightenment and taste improved all over the country, there developed wide discrepancies between what a contractor thought was a good model and what women were willing to buy. As a result, jobbers began to make up their own style designs and to farm these out to manufacturing shops.

Underlying are 750 contracting shops. Their life is ephemeral—1 out of 3 is said to fail every year. Often on the brink of disaster, they will make any concession to land an order, and so they are frequently exploited by jobbers who pit one against the other to beat down the price. Such pressure squeezes the worker and here the union steps in.

Its object is to stop the exploitation of workers by contractors who have taken orders from jobbers at ruinous rates. Hitherto, jobbers have placed orders by practically auctioning them to the lowest bidder. The union says this must stop; that at the first of each season the jobber must specify a certain number of contractors with whom he wants to deal and that orders of that jobber must be confined to those contractors. In addition, the union seeks to have its representatives set minimum prices for certain types of garments.

Workers Hold Some Trumps

Several factors have favored the workers. The inside shops, constituting the strongest firms, have a pretty good understanding of the union and its aims. They would hate to see the industry slip back into the chaos of former times when murderous competition was disastrous alike to manufacturer and workman. This organization is willing to make reasonable concessions for ultimate peace. The jobbers, financially less stable, have no desire for a long and costly war. "Besides," as a cynic points out, "jobbers who lack financial or moral strength can individually revert to former practices if conditions force them." The contractors, being caught between the jobber above and the worker beneath, may be compelled to agree.

Rise in Tax Spending Parallels That in Other Consumer Outlays

14. The American Consumer Market —A Study by The Business Week

THROUGHOUT this study the central subject has been the pocketbook of the individual American consumer. The sole purpose has been to show, as accurately as available information permits, what the individual consumer spends, or more precisely, the dollar value of the goods and services he purchases or consumes each year. Numerous inquiries and comments that have come to *The Business Week* since this series of articles started indicate that it is necessary to keep this specific purpose clearly in mind to avoid confusion and misunderstanding as to the scope of the study and the significance of the figures.

The Ultimate Provider

This is especially important in connection with the question of taxes discussed in this article. As the current controversies over taxation and public expenditures show, there is more confusion of thought on this subject than on any other in the field of economic discussion. Obviously all taxes collected by governmental agencies are ultimately paid by individuals in the sense that they are deducted, directly or indirectly, from the income of individuals. There is no other source from which they could be derived.

It is likewise obvious, but more easily forgotten, that all taxes collected are ultimately received by individuals in the sense that they are paid out, together with added amounts of bank credit and borrowed funds, to those who produce the goods and services which government provides, and these goods and services are consumed by the public. Taxes are, therefore, not a subtraction from the national income, nor are governmental expenditures an addition to the national consumption. Public finance is essentially a process of diverting part of the national income and expenditure from an individual to a collective form. Through it individuals spend part of their income to provide services of benefit to all instead of buying things for themselves.

Hard to Check Up

But it is practically impossible to compare with any precision the payment of taxes with the benefits received, i.e., the public services consumed. The governmental services which the nation as a whole buys through its tax payments are intangible, though very real, and it is difficult to say how much individuals pay for them directly as consumers in comparison with what they receive. Part of the costs of these services are paid by taxes collected from business concerns, partnerships and corporations and owners of property. These taxes represent either a deduction from the profits which the owners would otherwise have received, or they are added to the price of the goods and services which the business concerns produce and are so paid by the consumers, or both.

Tax on Profit

In general, taxes on competitive businesses and on property used in competitive businesses are not passed on to the consumer but are paid out of the profits of the owners; but the extent to which this is true varies with different lines of business, with location, competitive conditions and the general business situation. In studying the taxes paid by individual consumers as part of their expenditures all that can be done is to segregate as definitely as possible those tax payments which are known to be made directly by the individual and those which may or may not enter into the cost of other goods and services which he buys.

In the table accompanying this article have been included all the tax payments by individuals which can be definitely ascertained. The remainder of the total taxes collected must be considered as having been deducted from business

Taxes Paid by Individual Consumers
(Millions of Dollars)

	1919	*1920*	*1921*	*1922*	*1923*	*1924*	*1925*	*1926*	*1927*	*1928*	*1929*	*1930*
Federal Income Taxes	1,270	1,075	719	861	662	704	845	879	912	883	1,095	834
State Income Taxes	37	32	28	29	31	29	28	39	55	56	58	54
Total	1,307	1,107	747	890	693	733	873	918	967	939	1,153	888
Federal Inheritance Taxes	82	104	154	140	127	103	109	119	100	60	62	65
State Inheritance Taxes	35	48	57	66	75	79	86	91	106	128	129	131
Total	117	152	211	206	202	182	195	210	206	188	191	196
State and Local Personal Property Taxes	298	320	338	347	370	388	404	427	449	465	486	505
Farm Taxes	629	675	725	763	750	803	802	801	817	832	845	858
Total	927	995	1,063	1,110	1,120	1,191	1,206	1,228	1,266	1,297	1,331	1,363
State and Municipal Poll Taxes	13	14	12	12	11	8	8	9	9	9	10	9
Total Individual Direct Taxes	2,364	2,268	2,033	2,218	2,026	2,114	2,282	2,365	2,448	2,433	2,685	2,456
Ownership Real Estate Taxes*	487	505	537	554	590	618	644	674	703	731	769	791
Fees, Fines, and Forfeits	25	31	33	34	38	40	45	47	48	51	52	54
Vehicle and Boat Taxes	215	255	240	289	380	438	532	560	607	623	705	778
Other Excises	1,018	1,058	958	749	550	573	461	473	435	449	474	489
Customs Receipts	183	323	308	358	562	545	549	580	606	568	603	585
GRAND TOTAL	4,292	4,440	4,109	4,202	4,146	4,328	4,513	4,699	4,847	4,855	5,288	5,153

*Other than farm taxes

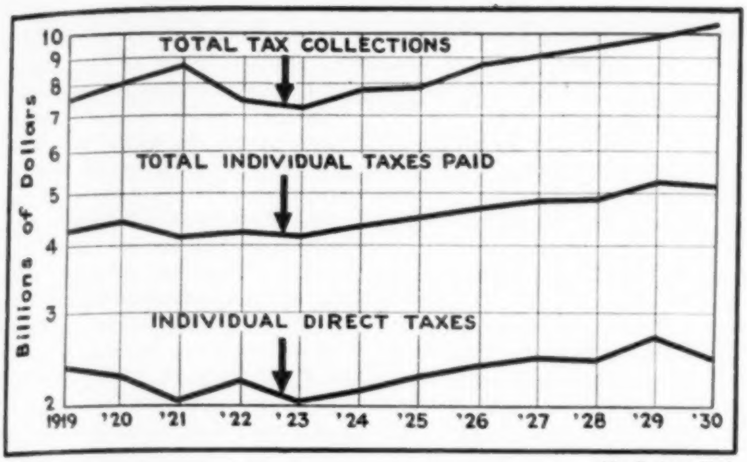


CHART I—*Individuals pay directly a quarter of all taxes; directly and indirectly, about a half; the rest comes mostly from business or property*

profits or paid in unknown degree by consumers in connection with some other expenditure than those covered in the table.

The first broad group of tax payments, called individual direct taxes, include the federal and state income, estate, and gift taxes; state and local personal property taxes, and state and municipal poll taxes, all of which are obviously paid directly by individuals without regard to any other expenditure. All farm taxes are included in this group because they also are borne by the individual farmer directly and cannot be passed on to the consumer. The total of these items, which represents the amount paid by individual consumers each year separately from any other expenditure, is the figure that has been used throughout this study to show the tax outlay in the consumer budget.

In Other Expenditures

In this table 5 other items have been added to cover tax collections which are ascertainable as to their amount, but which may or may not all have been actually paid by consumers in connection with expenditures for other goods and services. Of these, the first 3 may be fairly definitely considered to have been paid by the individual concerned in connection with another expenditure and they have already been included in this study under the expenditure in question.

Taxes and assessments on owned homes used by the owner have been counted as part of the housing expenditures of consumers. Naturalization and marriage license fees, customs fines and penalties, and other fines and forfeits have been included under civil expenditures to be discussed in a later article. But they are payments made to governmental agencies, and must be counted as part of the picture of payments by individuals to government. Taxes, fees, and licenses paid in connection with ownership and operation of automobiles, motorcycles, motorboats, yachts, and other vehicles have already been included in transportation expenditures.

"Other Excises" includes all federal internal revenue taxes levied on manufacturers, dealers, or consumers under the various revenue acts since 1919 in connection with the sale of specific commodities or services. In so far as these have not been absorbed by the manufacturer or dealer because of competitive conditions, and have been added to the price to the consumer, they should be considered as part of the taxes paid by individual consumers, though they have already been included in the value of the goods and services under estimates of other expenditures in this study. In the case of tobacco, cigarettes, cigars, etc., it is evident that the consumer has paid them in his purchases of these things; but the extent to which these taxes have entered into the value of other goods and services he has bought is uncertain, and the total amount is therefore shown separately.

"Customs Receipts" have been added at the bottom of the table because this amount, at least, has probably been added to the cost of all imported goods

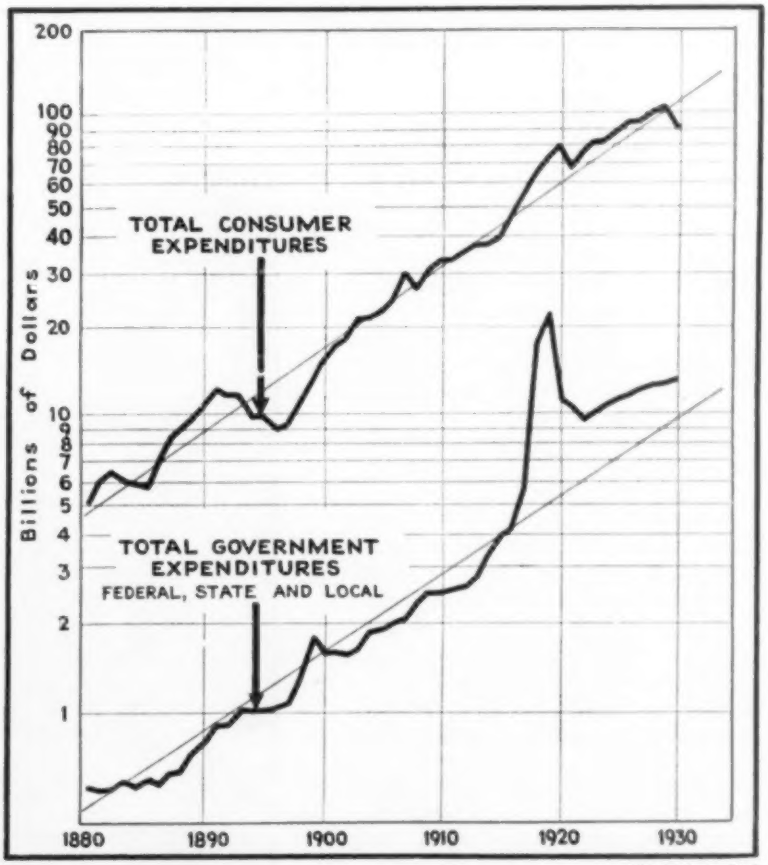


CHART II—*The long-term trend of governmental expenditure parallels the increase in consumer expenditures. Wars are offset by eventual economies*

American consumers have bought. This import tax, of course, has probably been added also to the cost of all domestic goods of the same kind bought by American consumers, but there is no way of estimating this amount, and in any case so far as it has been added it has gone into the pockets of manufacturers and not to the government.

All other payments to government are not definitely traceable to individual consumers and are considered, for purposes of this study, as having been deducted from business profits or collected from consumers to an uncertain and unmeasurable extent.

Rate of Increase

Looking at public expenditures as a part and an indirect form of individual expenditure, it is questionable whether, over a long period, this kind of consumer expenditure has increased any more rapidly than the total of consumer expenditures in this country. Chart II shows the long-term trend of total governmental and total consumer expenditures in the United States since 1880. Up to our entrance into the World War the average rate of increase measured by the slope of the two lines was about the same. The Spanish-American War produced a slight bulge in the line of governmental outlay, but the only great divergence from the long-term rate of growth in governmental expenditure was the result of the World War. Most of this divergence, following the actual war period, is due to the debt charges incurred, but since 1922 the pre-war trend has been resumed, with a tendency to return to the level that would have been reached in the normal course of growth if there had been no war. In view of the current agitation for economy it is probable that this will be accomplished within a few years; but we need not be surprised if the level of governmental expenditure even then remains above the ten billion mark, and increases steadily.

Individual Taxes Small

Among the striking features of the record of consumers' tax expenditures since 1919 is the fact that individual direct taxes have formed so surprisingly small a proportion of total taxes collected—about a quarter on the average. Other direct taxes fairly definitely ascertainable, as listed in the table, amount to about as much again, making the total of tax payments that can be traced to individual consumers, either separately or in connection with other expenditure, approximately half of the total federal, state and local tax collections combined.

In other words, taking these figures at their face value, and assuming that all of the excises included in the table are actually passed on to the consumer, it would appear that the total tax burden is about equally distributed between individuals as consumers and individuals as property owners or security holders. But this conclusion takes no account, among other things, of the fact that much of the taxes on property and on business are wholly or partly passed on to consumers, as in the case of rented residential and other real estate, public utilities under rate regulation, and many other kinds of business not in acutely competitive fields.

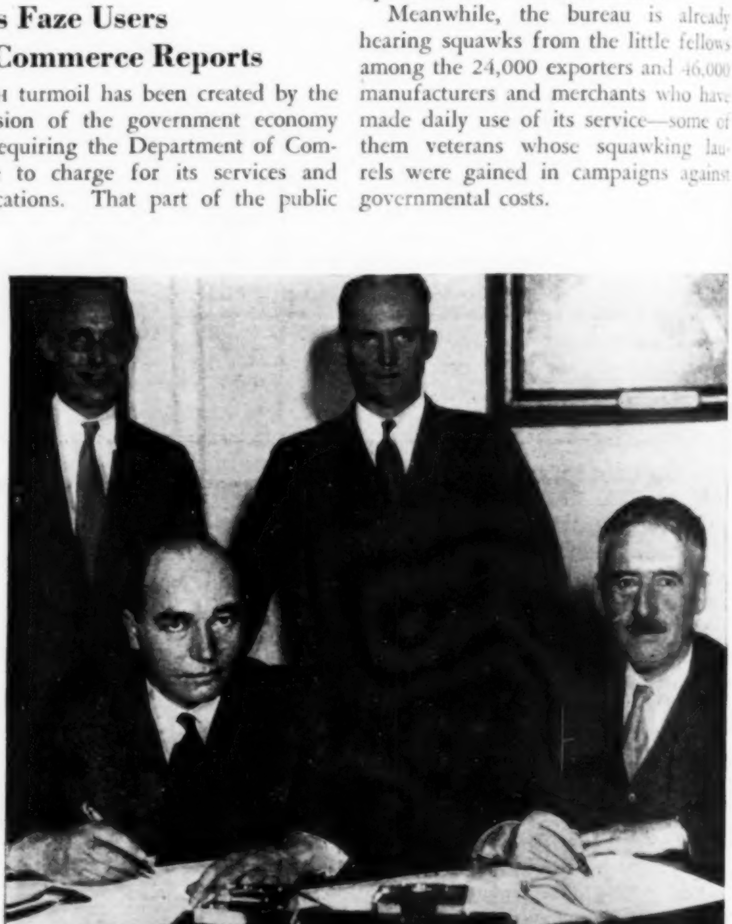
Note among the special elements of the tax picture over this period the instability of the federal income tax, the steady rise of state income taxes, the minor importance of the inheritance tax and poll taxes, the growth of vehicle taxes and customs receipts, and the marked decline in excise tax revenues—by about 50%—since the war.

Fees Faze Users Of Commerce Reports

MUCH turmoil has been created by the provision of the government economy law requiring the Department of Commerce to charge for its services and publications. That part of the public and of the public prints which has been clamoring for a cut in the cost of governmental services to the public has gotten what it asked for but some of the clamant ones are hesitant about celebrating.

Doubts center around the activities of the Bureau of Foreign and Domestic Commerce which boasts that it brought $57 millions worth of business to American firms in the year ended June 30, 1931. Fee-fixing problems here involve knotty questions: How to avoid penalizing the small business man who has been responding in increasing numbers to the Bureau's invitation to call upon its expert personnel and facilities? What is to be done when, as a taxpayer, a competitor asks for copies of a report on a specific subject asked for and paid for by a firm requesting the report? And if the solution is to announce that such-and-such a report has been received and is available for inspection at 400 Fourteenth St., N. W., Washington, what's to prevent the invasion of a tribe of "trade attorneys" serving—and piling up the cost of—distant clients?

Meanwhile, the bureau is already hearing squawks from the little fellows among the 24,000 exporters and 46,000 manufacturers and merchants who have made daily use of its service—some of them veterans whose squawking laurels were gained in campaigns against governmental costs.



Wide World

WATERWAY TREATY—*The State Department got out its wax and seals. Secretary Stimson signed for the U. S., Minister Herridge for Canada*

Treaty Beckons Heavy Industry To Power Sites on St. Lawrence

Cheap electricity at dams and water transportation may build manufacturing district along border

OTTAWA and Washington are celebrating the successful outcome of 10 years of patient negotiation for a treaty under which the St. Lawrence will be made a deep waterway. In its entirety, the work will cost two or three times as much as the Panama Canal and its completion will take 10 years. There is to be 27-foot navigation from Great Lakes ports to the sea, and hydroelectric development at the dams necessary to the project will yield some 2 million horsepower.

Negotiation was difficult and complicated. The type of navigation improvement had to be agreed upon; American engineers recommended a single dam, Canada insisted on two. Canada carried this point.

Allocation of costs was another question. Early enough, the 50/50 principle was agreed upon, but there remained the matter of credits for work already done—what improvements already made are to be regarded as an integral part of the whole. Canada got credit for the cost of the Welland Canal, for Beauharnois, various other works. The United States is credited with cost of deepening some upper lakes channels, and improvements at the Soo. In brief, Canada was allowed $163 millions and the United States $12 millions as credit toward the $270 millions which is the total sum each is to pay.

Power Payment Arranged

Canada has secured a contract under which Ontario province will pay $67 millions for Canada's half of the electric power and build the power house, leaving only $40 millions in cash for the Dominion to expend over a period of 10 years. The United States has still to expend $258 millions. The matter of offset from the sale of power has not yet been adjusted in the United States, and, indeed, the Supreme Court is likely to have to decide whether the federal government will get any money for power at all. After all, New York State owns the stream banks, and contends, as riparian owner, it is entitled to the power.

It is remarkable that in all the official and journalistic celebration over signing of the treaty, nobody had much to say about the value of the waterway, or the power. Likewise, there has been a rather bland assumption that men would be put to work pretty promptly on the vast job. This seems a little optimistic.

The treaty still has to be ratified. Canadian officials say ratification in Ottawa is certain, but Premier Taschereau of the Province of Quebec is screaming to high heaven that the treaty is an outrage, and talks of going to court. The United States Senate is another story. It has, on occasion, a crusty way with treaties. Senator Borah already has announced an investigation, and says all objectors will have an opportunity to be heard.

Chicago's Ancient Quarrel

And there are objectors. Chicago has her ancient battle over the diversion of Lake Michigan water to supply her drainage canal and likewise water for navigation of the inland waterway that connects the lake with the Mississippi. New York is contentious over numerous points. She is vitally interested in the allocation of costs as between power and navigation, aside from her most serious fight over title to the power. Buffalo, its grain trade involved, will have much to say on the economics of water-borne freight.

All this spells delay.

As to the economic value of a 27-foot stage from the Atlantic to the Great Lakes, through a 2,000-mile route, closed about 6 months of the year by ice, and including a lift of more than 600 feet through locks, there are doubters.

Shipping Men Unconvinced

The "St. Lawrence seaway" was sold to the Middle West through glowing propaganda that painted pictures of ocean liners docking in Chicago, tactics that exasperated ocean shipping men in New York and Montreal into red-faced incoherence. Shipping men still are unregenerate. They can be found still stoutly asserting that this is outrageous misrepresentation. There will be a scattering few ocean ships ever to be seen in Great Lakes harbors, they insist. For the best type of modern ocean freighter, 27 feet isn't enough. If cargo is valuable, the tying up of the money it costs for the additional week or so of voyage will offset any theoretical saving in freight rates. They cannot visualize regular lines being built up for 6 months' service. Moreover, they say no ocean vessel yet built can compete with lakers in fresh water; the lake steamer is the cheapest form of bulk cargo carrier yet developed by human ingenuity; it can absorb transshipment costs and still lick ocean carriers.

Principal use of the route, ship men say, will be for movement of grain in lakers from the West to Montreal—and if this is its main purpose, 27 feet of depth is pure extravagance.

Effect on Wheat Prices

Back in 1926, federal experts estimated that waterway would increase the price of grain at Chicago and Duluth an average of 6¢ a bushel, since the price in Chicago is the Liverpool price minus freight. But that was in 1926. Shipping costs today are something else again, due both to efficiencies on the Great Lakes and to the demoralized state of ocean shipping rates.

Power is a little better story. A board of eminent experts made an official survey for the State of New York and reached the conclusion that at the power houses on the St. Lawrence, electricity could be generated at a cost of $10 per horsepower per year. That is astoundingly cheap; Niagara Falls cannot meet this, nor can the government-owned projects of Ontario.

Transmission Costs High

But the farmers of St. Lawrence county can't use a million horsepower. Getting power to big industrial districts is going to be expensive. It probably will startle the laymen to learn that it still is cheaper to ship power in the form of coal than in the form of "juice." The average transmission distance in the United States is something like 24 miles. Long-distance transmission costs about 1 mill per 100 miles per k.w.—for 95% service. If 100% service—that is, complete guarantee against interruption—is demanded, and most big users do have to have such guarantee, the cost will be about four times as much. There are no existing transmission lines that can carry St. Lawrence power to market, and to build them would cost $35,000 a mile—again on a 95% continuity of service basis. It is 400 miles to New York City.

General publicity about existing long lines, tying together New York and Buffalo via Albany and Syracuse, mislead laymen into thinking long-distance transmission is the usual thing. These lines are quite another matter. They

carry no such load; their principal purpose is to permit shifting of power from point to point, to take care of accidental or rhythmic variation in load requirements—i.e., they are tie-lines—and to help guarantee uninterrupted service.

The reasoned conclusion of the New York board, anxious to get the best advantage from the St. Lawrence project, was that the solution should be to attract heavy industries to sites close to the dams, where big factories can have both cheap power and water transportation. The board conjectured that within "a reasonable time" after completion of the construction work, that might be accomplished.

As to the talk about cheap electricity for the farmers and small domestic users of New York, utility men will grinningly remind you that the Governor of New York is, after all, a candidate.

Which is a sidelight, too, on the high exchanges between Candidate Roosevelt and Candidate Hoover.

Empire's Best Chance at Ottawa Lies in a Bargaining Agreement

Realists discount "menace," look for understandings that will be useful in a world conference later

THE British Imperial Economic Conference is under way at Ottawa. The idealists have had to lower their optimism a peg or two as facts were assembled, but the materialists are not gloomy. A tremendous project is being formulated. If even a foundation for economic accord is prepared there will be reason for encouragement.

Projected accomplishments are little different now than they were a month ago (*BW—Jun29'32*). Definite agenda, however, are now known. Members of the big British family will discuss first the problems of trade among themselves, with particular stress on the chances for giving each other preference. Then London bankers want them to talk about monetary problems, particularly the possibilities of formulating a "sterling group" of countries. And finally, they will try to negotiate trade agreements among themselves.

They've Met Before

There are a thousand problems in the first section of the agenda if the chairman is not careful enough to steer the discussions into broad channels. On the other hand, the family has met before, and individual foibles are pretty well anticipated. Each member has his material well in hand, is ready to state his case succinctly, and stick to his argument. Principal new element in the discussion is the new bargaining weapon in the hands of Great Britain—its tariffs.

London has already abandoned the fantastic vision of accomplishments which would be a panacea for all depression difficulties. Londoners are realists. They know that reparations, debts, currency, or the gold standard—none is more important than trade barriers. A world conference to consider these barriers is likely to be held in September, possibly in London. One of the biggest things Ottawa can accomplish would be at least partial accord among the members of the empire which would be a starting point on which to negotiate—individually or as a unit—at a later world conference.

We Are Concerned

American business is watching the progress of the conference with some concern. A tremendous stake is involved, particularly in the trade with Great Britain and with Canada. But there are 2 or 3 particularly encouraging factors which have not been passed over by business men: (1) The trade, in both cases, is very definitely on a two-way basis without a dependence on any single major product; (2) Britain's squabble with Ireland—which almost no one can yet believe will fail to be adjusted—suggests inter-empire difficulties which may keep, perhaps enlarge, the volume of business with outsiders; (3) plans, already announced by the British textile industry, for a great British exhibition in Denmark. Britain is not forgetting old customers.

The realization is spreading rapidly that trade cannot be forced readily into new channels. If some of the old channels are artificial, at any rate the organization is set up and ready to function. Nothing will do more to stimulate a return of normal world business than the realization that a beginning has been made toward the tearing down of the maze of trade barriers built up in the last 3 years. It is just possible that at Ottawa the British family will be wise enough to set up an empire scheme which can be resorted to only if the rest of the world refuses to cooperate. Certainly the British empire is the most natural political unit to start such a movement on a large scale.

Italians Take Shipping Rationalization Seriously

ITALY'S merchant marine is being rapidly rationalized. World shippers are noting the progress.

Last week the *Conte Biancamano*, one of the big liners which has helped to maintain the New York–Genoa service, sailed for the last time from New York. It is being shifted to the South American route to replace a liner there which goes to the Far Eastern service.

Coming into the New York service this fall are the new *Rex* and the *Conte di Savoia*, of 51,000 and 48,000 tons, and with a speed of 27 knots. This will put them in a class with the North German Lloyd's speed queens—*Bremen* and the *Europa*—will make it possible for the Italian lines to land passengers at Gibraltar 5 days out of New York. They will touch at Nice, on the French Riviera, and at Genoa on the seventh day, 2 days faster than the present service. It is Italy's dream that at least a part of the vast tourist migration to Europe each summer will henceforth travel one way on Italian ships.

With the rationalization of each service which is possible now with all lines under one controlling body, faster boats have been placed in the British India and Far Eastern service, and next winter the *Augustus* will sail on the first round-the-world tour which the Italian lines have ever offered.

To encourage further the modernizing of the Italian merchant marine, the government has established a "scrapping bounty" of 5 million lire to be distributed at the rate of 25 lire per gross registered ton to firms breaking up obsolete ships.

It was announced recently in New York that the Italian lines, now known as Italia, will henceforth concentrate on one pier. Offices also have been consolidated. Rationalization is taken seriously by the Italians. Italy's merchant fleet has as great a percentage of modern, comparatively new ships as any of the great shipping nations. Present reorganization will better its competitive position.

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 38.14
 20.04 -
  8.85 -
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 74.92 -
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Two States Find Ways to Hold Utility Holding Companies

UTILITY holding companies, which haven't been really happy for some time, felt just a little worse this week after absorbing one jab and two stiff wallops.

The two stiff jolts were delivered by the Public Service Commissions of Wisconsin and of Alabama, both of which issued orders forbidding utility operating companies in their respective states to pay further dividends to holding companies until they can show to the satisfaction of the commissions that such dividends are not at the expense of proper reserves for maintenance and depreciation. The Alabama commission went a step farther, and forbade payment of service charges until the commission has had the opportunity to examine them and determine their reasonableness under present conditions.

Wisconsin Explains

The object of the orders, of course, is to stop the bleeding of subsidiaries for the benefit of the financial top organizations. The Wisconsin order went into considerable presentation of its grounds. It pointed out that dividends to holding companies are to pay interest and dividends on securities that were issued without commission control.

There have been instances in Wisconsin, said the commission, where operating companies have been forced by holding companies to continue dividends longer than justified by common prudence. Furthermore, operating companies should preserve and improve their financial standing, because the vaunted ability of holding companies to secure additional financing for their units has all but disappeared. Any further payment of common dividends will constitute a payment out of capital, the commission asserted. It is an emergency order; the facts will be reviewed at a full hearing. But a full hearing will take months, and meantime irreparable mischief might be done.

Some Quiet Approval

Utility men are not so indignant as might be expected. Many of them concede that the commissions were stirred to act by certain notorious milkings of subsidiaries. The orders destroy no assets, after all; merely conserve them pending hearings. Where preliminary conclusions are sustained, it would be hard to defend resumption of dividends. Undoubtedly individual injustice has been worked. Some companies' surpluses, cash reserves, and general financial practices meet the states' desires in letter and in spirit. Such companies hope for quick hearings and early exemption.

The light jab was the preliminary report of the Federal Power Commission. It said just what it was expected to say—that the public interest requires it should have regulatory authority over holding companies engaged in interstate business. It found that 10 top companies controlled utilities serving 42 millions of the population, including 48 major power projects under license from the commission. They interlock to an undetermined degree. No public agency requires them to keep their books in any particular manner. To trace costs and charges, in order to determine the reasonableness of rates, is well nigh an impossible task.

All these remarks had been pretty well discounted by the industry and by investors in their securities. Moreover, it was almost impossible to read them without noting the suspicious timing of the report at the outset of the Presidential campaign. One object might be to show that Mr. Roosevelt has no monopoly on "power trust" thunder.

Success of Coffee Deal Starts New Barter Plans

DISPOSAL of surplus products by barter may become a commonplace, even in the United States. Washington is still happy over the wheat-coffee deal with Brazil last winter. With coffee prices up, and wheat down, it looks as if the Federal Farm Board had negotiated a pretty smart bargain.

Just now, there are proposals to trade American wheat (bought from the Grain Stabilization Corp.) for Chilean nitrate and for German potash. Fertilizer manufacturers are naturally cold to the proposal. Nitrate goes straight to the farm to compete with mixed fertilizers and ammonium sulphate which are manufactured plentifully by American plants. Present stocks of Chilean nitrate in this country total approximately 300,000 tons. In a normal year this might be worked off in one season, but total business was small in the fertilizer year just ended, and be-

The Business Week

CATERPILLARS FOR THE KHYBER PASS—*Jay Fetters, Yankee tractor salesman, went into Afghanistan, demonstrated to His Majesty Nadir Shah the superiority of Caterpillars over elephants for pulling the big guns, came out with an order for 8 tractors, a road grader, and a snow plough*

sides there was a big swing to ammonium sulphate.

This successful marketing of ammonium sulphate was stimulated by an advertising campaign which sold not only the domestic product but also absorbed large imports run in from Germany at such a low figure that the Treasury Department has been asked to invoke the anti-dumping law. Between January and April, about one-half of the heavy drop in imports of Chilean nitrate was offset by this increase in imports of the synthetic product.

The Favoring Arguments

The United States may not actually need Chilean nitrate now or ever. It is asserted that domestic synthetic capacity is ample to meet all requirements. There are, nevertheless, persuasive arguments for considering the barter proposition.

Trading wheat, and possibly petroleum, for nitrate may be preferable to having the nitrate dumped on the market at any price it will fetch. This threat has been made by Chilean officials (*BW—Jul20'32*) in their fight for a larger export allotment in the European market. While it is probably true that the American synthetic industry can meet all domestic demands, ruthless dumping of Chile's surplus would temporarily paralyze the price structure not only in this, but in the world market, which already has 2 million tons of nitrate on its hands.

There are other considerations which Washington has been careful to point out. Chile depends on copper and nitrate for 85% of its export trade. Prices of both are demoralized. If the United States would agree to supply much-needed wheat in exchange for nitrate it might be a large contributing factor toward political stabilization in Chile.

Cotton for Potash

The further proposal to trade cotton for German potash was inspired by the deal on foot in Germany to swap 18,000 tons of German synthetic nitrate for 35,000 bales of Egyptian cotton. The United States still is largely dependent on Europe for potash, and Germany is one of our largest markets for cotton.

Aware also that The International Commodities Trading Corp., recently chartered in Switzerland, is represented in New York by Neidecker et Cie., business men are watching for announcements for large-scale barter deals. They are likely to develop on a large scale before slower-moving conferences agree to remove strangling trade barriers.

FOR SALE

A daily list of opportunities

TO GET BUSINESS

PROPOSED WORK

Pa., Phila.—St. Joseph's College, City Line and 52nd St., plans by S. Laschenski, Harrison Bldg., college addition. To exceed $300,000.

O., Akron—FACTORY—Palmer Match Co., J. L. Walker, Chamber of Commerce Bldg., Pittsburgh, Pa., plans by Hannah & Sterling, Publication Bldg., Pittsburgh, Pa., extension to match plant. $300,000.

O., Cincinnati—Hamilton Co., plans sanitary sewer 46, Dists. 4, 5, and 6, incl. 24,559 ft. 30- to 45-in. rein.-con., or brick pipe, 2,997 ft. 24 in. vitr. clay pipe, 167 ft. 18 in. c.i. pipe, $289,376; Sanitary Sewer 89, Dist. 3, 12,037 ft. 30- to 48-in. rein.-con. or brick sewers, 24,036 ft. 8- to 24-in. vitr. clay pipe, $166,400. J. S. Raffety, Court House, engr.

†Tex., Fort Sam Houston—Con. Q.M., 2 story non-commissioned officers quarters; 2 story officers quarters. $500,000.

N. Y., Perinton—ELECTRIC PLANT—Village of Fairport plans electric plant and distribution system. Pub. Serv. Comn. granted permit.

N. Y., Silver Springs—ELECTRIC PLANT—New York Central Electric Corp., 89 East St., Rochester, plans electric plant and distribution system, Wyoming Co. Application made to build.

CONTRACTS AWARDED

Conn., New Haven — Yale University, c/o Trustees, New Haven, remodeling Quadrangle for Saybrook and Branford College buildings under new Yale University House Plant, Library and Elm Sts., to Marc Eidlitz & Son, Inc., 100 East 42nd St., New York. Est. $1,000,000.

†Ia., Des Moines—Vet. Bu., Arlington Bldg., Wash., D. C., rein.-con., brick, tile U. S. Veterans Hospital, to H. G. Christman Co., South Bend, Ind., $589,000; plumbing, heating and electrical work, to C. A. Hooper Co., Madison, Wis., $208,900. Noted Apr. 28.

La., Kenner — East Jefferson Waterworks Dist. 1, voted $500,000, for completion of Kenner water plant to supply water to Kenner, Harahan, Southport and Metarie Ridge. H. A. Mentz & Co., City Natl. Bank, Hammond, engrs. Noted May 12.

BIDS ASKED

Vt., Bellows Falls—Windham Corp., A. I. Bolles, pres., bids about July 12, 3 story, basement, 72 x 144 ft. and 56 x 80 ft., ell, brick, granite, artificial stone hotel, concrete found., on square. $150,000. Harper & West, 131 State St., Boston, Mass., archts. Noted June 2.

Me., Orono—July 19, by Crowell & Lancaster, archts., 6 State St., Bangor, two 25 x 50 ft., concrete, brick wing additions to arts and science group, for University of Maine, H. S. Boardman, pres. $160,000. Noted June 9.

Pa., Johnstown—July 8, by G. W. Griffith, supt. P. Wks., City Hall, labor contract for Unit 1, 9 mi. 6- to 24-in. terra cotta pipe, bends, stoppers, and wyes, dry jute, manhole covers, steps, bricks, cement, sand, etc., $35,-000. Total est. $200,000. H. L. Wilson, City Hall, engr. Noted Apr. 21, under "Bids Asked."

N. Y., New York—SUBSTATION—July 15, By Bd. Transportation, J. H. Delaney, chn., 250 Hudson St., constructing Stanton Sub-station, Essex St. between Stanton and Houston Sts.

ELECTRICAL DISTRIBUTION, etc.—**Piqua, O.**—July 20, by City, c/o Bd. Comrs., electric distribution system, switchboard, pumps, coal handling equipment, etc., for municipal power plant. Burns & McDonnell Eng. Co., 406 Interstate Bldg., Kansas City, Mo., engrs.

The foregoing items are picked at random from hundreds of items published five days a week in the McGraw-Hill *Construction Daily*. Every issue of this paper gives leads to orders that total millions of dollars a day, pointing out the places in the United States and Canada where orders can be obtained for all kinds of electrical equipment and machinery, building machinery, supplies and materials. Its value is many times its cost of $120 a year. Look over a few sample issues at our expense and judge for yourself. Route them to your salesmen and distributors. Tell your secretary to fill in and mail the coupon.

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Wide Reading

"HOME, SWEET HOME" MAKES A COMEBACK. *Printers Ink Monthly*, July. If you are making something that adds to the comfort and pleasure of home living, there's blue sky ahead. A new conception of "home" is developing. It may be a new prosperity era.

THE CASE FOR INFLATION. Stuart Chase. *Harper's*, July. We need new credit to finance new wealth. Some current proposals are useless; some are sound. The reasons why, told simply, interestingly.

BUYERS WANT BETTER VALUES. A. Griffin Ashcroft. *Factory & Industrial Management*, July. How a rug manufacturer organized a product development and control department to meet the demands of better goods which suit today's pocketbooks.

DRUG TAXES. *Drug Topics*, July. Special 60-page section giving first complete list of 6,000 drug store items affected by the new excise tax, with new wholesale and retail selling prices as suggested by the National Wholesale Druggists' Association.

NEW PRODUCTS AND NEW THINGS. E. L. Cord. *American Automobile*, July. A few of the depression-born ideas which are turning new profits.

CERTIFIED PUBLIC ACCOUNTANTS. *Fortune*, June. Members of the newest, least known of the great professions, accountants seek truth in an ever more complicated corporate world. Who they are and how they work.

SIX-DOLLAR HOUSING POSSIBLE THROUGH DESIGN ECONOMY. *Engineering News-Record*, July 7. A project to provide houses at $6 per room per month.

SWEDEN'S NEW GOLD-COPPER ENTERPRISE. E. Wesslau. *Engineering & Mining Journal*, July. The Boliden mine, one of the sound interests held by Kreuger & Toll, and one of the most romantic mining projects in Sweden.

THE TAXABLE VALUE OF MANUFACTURING PROPERTIES. Charles T. Main, *Mechanical Engineering*, July. Tax values need to be revised. New problems are present. Suggestions for arriving at an adjusted taxation base.

CURRENT PROBLEMS OF INDUSTRIAL MANAGEMENT. James D. Mooney. *Mechanical Engineering*, July. "Purchasing capacity can be reestablished only by getting production under way, and production can be increased only by offering goods to the market at prices and values that will tempt an increasing number of buyers."

THEY GOT RENT REDUCTIONS. *Dry Goods Economist*, July. Forty-eight merchants asked rental cuts. Thirty-one got them. Median reduction was 15%. Several changes were made to a percentage-of-sales basis.

MR. HOOVER AS PRESIDENT. Albert Shaw. *Review of Reviews*, July. Appraisal of the President and the presidency by a keen, thoughtful observer.

RUSSIA—AN ATTRACTIVE MARKET FOR AMERICAN PRODUCTS. R. A. Solborg. *Iron Age*, July 7. Special consideration of credit problems with suggested ways to get around difficulties.

ECONOMIC DEPRESSION AND THE GOLD EMBARGO. Sobun Yamamuro. *Contemporary Japan*, June. Japan's financial problems discussed by one of the most eminent of the Mitsubishi Bank managers.

Business Abroad—Swift Survey Of the Week's Developments

Outlook uncertain but general tone still hopeful. . . . Commodities, except non-ferrous group, generally up. . . . Britain's conversion plan progressing. . . . Germany's pre-election skirmishes temporarily unsettle business; stocks down, bonds resisting well. . . . France is freed of parliamentary uncertainty but not of worries over the budget; conversion plan likely; treasury bond issue expected. . . . Japan threatens further military aggression in north China. . . . Brazil censors news of political disturbances; not so Bolivia. . . . Chile threatens to dump nitrate. . . . Ottawa discussions, and pending German Reichstag elections, most immediately significant.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Despite the spectacle of martial law in Berlin, the drastic shakeup of the cabinet in Italy, the aggravating continuation of the Anglo-Irish controversy, and the French trade slump, the balance of good and bad developments in Europe this week is favorable.

To Europeans, familiar with their own weaknesses, these more or less surface developments do not yet counterbalance the fundamental improvement still expected from Lausanne, from the British and other likely conversion operations, from the widespread belief that the recent definite upward trend of commodities will continue.

Watching Ottawa

Optimism over Ottawa is decidedly tempered. At the same time, there is a healthy shifting of interest from the old determination to protect empire products by raising tariff barriers on all others, to a new belief that special preference within the present tariffs is preferable.

There is some uneasiness over the outlook for Germany though the declaring of martial law until after the July 31 elections is no great surprise to European business.

Until these elections put an end to the present political flux in Germany, there is little chance of planning very far ahead. The country's export surplus, basis for meeting financial obligations abroad, is dwindling. The average for the first 6 months of the year is well below the $30-million average monthly favorable balance necessary to meet commercial obligations abroad. Because the export surplus was inadequate, the gold reserve of the Reichsbank suffered a loss of another $17 millions last week to meet short-term maturities abroad. Until the results of the elections are known, it is not likely that any further official appeal will be made by Germany for an extending of the short-term moratorium to long-term debts, though a request of this sort is considered not improbable before the end of the year.

Another Conversion Operation

Parliament has adjourned in France, but without balancing the budget. The prospect of declining trade, plus the necessity of the early issue of treasury bonds up to two billion francs to balance the budget, plus the last-minute accord between the Radicals and the Socialists and the uncertain shifting toward a new group domination of Parliament have made the business outlook in France at least temporarily uncertain. A large conversion operation is being discussed in Paris which would convert 5% and 6% rentes to a 4% or 4½% basis, thus saving for the treasury 4 billion francs.

Except for the aggravating prospect that the Germans will step into the Irish coal market to the detriment of Welsh miners before the Anglo-Irish rift is patched up, the British are comparatively optimistic. Public cooperation in the conversion scheme is still enthusiastic. Markets are active. Disappointment that tariffs have brought no better trade results than they have is increasingly audible, although most grumblers readily admit that what spoiled the protectionists' paradise was the prompt action of other countries in clapping down quotas and embargoes. It is significant, however, that the trend of talk, even among the protectionist ministers, is all toward increasing reciprocity and away from protection as such or as retaliation.

Fewer Jobless

Employment has improved in almost every country. Though the increase is below the normal seasonal recovery, Italy, Belgium, and Germany all report fewer jobless. Production on the Continent is generally down. Trade barriers have not been eased.

Ratification of the tariff agreement between Holland, Belgium, and Luxembourg is regarded in Europe as an important step toward a general scaling down of trade barriers. Each step in this direction before the world economic conference, projected for this fall, improves the chances for broad tariff adjustments.

France

Trade slack; unemployment greater. . . . Relief that parliament has adjourned, but some concern over still unbalanced budget; bond issue soon; conversion operation likely in fall. . . . Stocks firm; exchange weak; trade balance unfavorable.

PARIS (*Wireless*)—Parliament has wound up its spring session and adjourned but without balancing the budget. In the face of a declining trade balance, higher income taxes were voted which will run from 12½% on minimum incomes of 10,000 francs to 35% on the higher brackets.

Before adjournment the government obtained permission from the Chamber of Deputies to issue treasury bonds for nearly $80 millions to cover treasury needs in coming months while the Chamber is not in session.

It is generally expected in Paris that there will be a special session of the Chamber in the fall, probably at the end of September, at which a bill will be submitted authorizing the government to proceed with a large-scale conversion of French bonds. It is believed that the amount involved will be 80 billion francs (about $3.2 billions). Conversion will be from the present 5% and 6% rates to a 4% or 4½% basis.

French Treasury Issue

Stock markets during the week firmed, with advances being registered by rentes and rails generally. Rentes, in particular, were firm following the passage by the Chamber of bills designed to help the treasury and by the government's clearly expressed decision to convert a considerable part of the internal debt along lines adopted by the British.

Franc exchange during the week fell to a new low for the year due to heavy selling in Paris, particularly on British account. Dollar exchange was especially strong.

One of the most disconcerting developments in France is the rapidity with which trade is declining. There

was an unfavorable balance during May of more than a billion francs, exports totaling only 60% of imports. For the first 5 months of this year compared with the same period in 1931, foreign trade as a whole declined 12 billion francs, or more than one-third. The unfavorable balance exceeded 4.2 billion francs.

More Automobiles Sold

After a slight increase in activity in May, the metallurgical industry is again depressed, this time by the decrease in military and naval orders resulting from budget economies. Automobile sales, on the other hand, are reported by the country's 3 largest firms to be running ahead of actual production. The slight improvement in textiles continues, but there are no hopeful reports from the coal areas. Unemployment on July 9 was again slightly up.

French wine merchants are cheered by the belief that the plank in the American Democratic platform favoring repeal will mean business for them in the near future. Before the war, America absorbed every year 4 million bottles of French champagne, 25,000 hectolitres of various wines, and a miscellaneous assortment of liqueurs. Wine merchants argue that if the American record of absorption was this large before the war, it is likely to be at least doubled after this long period of dryness.

Acme

BARRICADES IN BERLIN—*An armored car demolished this one, erected in street fighting between Nazis, Communists and police. Throughout Germany political and social upheavals disturb the peace of the Reich. Berlin is under martial law, Prussia (which is two-thirds of Germany) under a dictator. Elections are planned for July 31*

Germany

Business hampered by pre-election strife. . . . Markets sluggish, prices down. . . . Industrial activity declining.

BERLIN (*Cable*)—Germany is in the throes of a serious political campaign which is strongly curtailing business aggressiveness. Prussia, which is two-thirds of all Germany in area and population, has been placed under a dictator, and Berlin is under martial law as a result of clashes between political factions.

Business, which was somewhat cheered by the first reports of the Lausanne decision though stock markets had already discounted the results, is now completely under the shadow of the coming elections (July 31). The placing of Prussia under a dictatorship is likely to revive the secessionist talk in southern Germany. Stock prices have softened, but bonds are more resistant.

Industrial activity shows no signs of improving soon. June steel output fell 28% below the May level as domestic business failed to develop and large Russian orders were completed. The number of unemployed declined, however, though seasonal improvement is far below normal. Crop reports are good. Commodities are holding up.

The average monthly export surplus for the first 6 months is barely \$21 millions, which is not sufficient for servicing the foreign obligations of the Reich. Plans for a moratorium on the remaining foreign commercial debts are not being discussed until after the election.

Great Britain

Markets strong as success of conversion seems assured. . . . Money cheap and plentiful. . . . Industrial activity improving, except in coal mining areas. . . . Welsh miners fear loss of Irish market if German coal replaces British before Anglo-Irish controversy is ended. . . . Powdered rubber forecast.

LONDON (*Cable*)—The continuing successful progress of converting the war loans to the lower interest-bearing basis is cheering British business. The tone on the stock market is good despite slight price setbacks this week as profit-taking continued. News from Germany, too, took a little of the buoyancy out of bond buying, though prices are still well above the old pre-Lausanne lows.

Applications in the war loan conversion total well over a million and 90% of the applicants want to convert to the new issue. If, as the market anticipates, all but a possible £200 millions of the total outstanding is converted, this would mean an even greater success than if the whole were converted, because this amount, in all probability, could easily be raised by a short-term bond issue at 3% or under, giving the Treasury an even greater saving than was estimated by Chancellor Chamberlain when he announced the conversion plan.

The Treasury touched its cheapest borrowing record last week when Treasury bills sold, for 3 months, at an average discount of £0 10s 6.84d%, compared with £0 17s 2.38d% the previous week.

Sterling exchange has been weak, due probably to the increased purchasing of American securities.

Activity in the coal mining regions

is being curtailed with resulting increases in the number of unemployed. The number of jobless at the end of June was 8,000 above the total at the end of the previous month. In most other lines of industry, however, there has been some improvement. Ship builders have received their first orders for the year.

To Replace U. S. Steel

Reports from Ottawa on the first day of the British empire conference that British and Canadian steel interests had reached an agreement whereby the Canadians would divert orders, formerly placed in the United States and Germany, to England failed to influence the market. This arrangement had been partially planned before the Ottawa meeting. Trade agreements resulting directly from the conference are not likely to come during the first weeks of the meeting.

June foreign trade failed to show the improvement that the protectionists promised last year when they were "talking tariffs." The unfavorable balance exceeded £23 millions, compared with £21 millions in May. Imports were down, however, and the unfavorable balance is much smaller than a year ago when there were no tariffs. Even the most anti-protectionist critics admit that much of the help which might logically have followed tariffs was lost because of the excessive duties and trade restrictions levied abroad at the same time, or since, Britain established a tariff.

The most discouraging element in the foreign trade outlook is the awkward situation which has developed in the relations with Ireland. The squabble over land annuities is dragging on. London has levied a tariff on Irish imports ostensibly to make up in the budget the sum which Dublin has refused to pay. Dublin, in turn, is planning retaliatory tariffs. And with the dispute continuing, Germans are after the Irish coal market, and are likely to get it. Welsh coal miners already are worried over the outcome.

Powdered Rubber

New products are viewed by the British manufacturer as one of the means of working out of the depression. The oil-coal experiments by the Cunard line recently sent their shares up. Now British rubber producing and rubber manufacturing interests are watching eagerly, though not without some doubts, the progress of a new invention for the manufacture of powdered rubber without the aid of chemicals.

The production of sheet rubber is a lengthy process. Although the actual manufacture takes little time, the smoking process usually requires a fortnight and takes up much room. Crepe rubber involves the use of much more machinery than does sheet, but is ready for shipment in 2 weeks. It is claimed that much of the machinery, space, and time now required for smoking sheet and drying crepe will be eliminated by the use of the new invention for powdering rubber.

The new powdered rubber can be mixed in the rubber goods factory with the necessary fillers and chemicals in revolving drums, and thus be speedily prepared for vulcanization.

Latin America

Civil war in Brazil still restricted. . . . Chile is demanding a larger share of world nitrate markets. . . . Sugar conference only partially successful, but prices remain fairly steady. . . . Mexico may undertake road program.

THREE events outstandingly influenced Latin American business developments this week. All engendered a sort of negative optimism.

The first is the lack of any extensive outbreak of civil war in Brazil, despite the rather gloomy outlook a week ago. Reports from Rio are heavily censored. São Paulo is completely cut off. That is the reason for not letting hopes run too high that any serious trouble is going to be successfully averted. When news is allowed to come through it may be less sanguine.

Chile Threatens to Dump

The second development is from Chile where the government is standing up firmly for a larger share of world nitrate markets (page 22). In the nitrate conference in London, Chile is unyielding in her demands, and, with the definite threat of Chilean dumping if these demands are not met, other members of the former world cartel are unwilling to abandon negotiations until further efforts have been made to reach accord. If Chile is given the opportunity to dispose of heavy nitrate stocks in direct sales or in great barter agreements, the serious economic and political situation in Santiago would be eased.

Cuba is principally concerned in the third business development of moment. At the world sugar conference in Europe, Cuba's demands for a specifically larger quota in the European market were not met by other members but a compromise agreement was offered to the Cubans which is likely to meet with the approval of Havana, and probably will be passed at a later world meeting in September. Sugar prices have eased away from last week's peak, but are still fairly regular. Prospects for the industry are brighter.

There are rumors in Wall Street that Mexico is considering a highway and railroad building program for immediate relief work, and that bids will be sought in the United States for the supply of equipment which will be necessary. Details are still lacking.

Far East

Military campaign in northern China threatens second Oriental outbreak. . . . Chinese business spotty, but generally improved. . . . Japanese markets dull. . . . Silk prices down slightly; export copper in favorable position as a result of yen depreciation.

BEFORE political tensions in the Far East have had a chance to ease following the Manchurian campaign of the Japanese last fall, a new outbreak has come in the region north of Peiping. The province of Jehol, which adjoins Manchukuo on the west, is now the object of attack by Japanese forces. Most observers are inclined to expect no attempt on the part of the Japanese to extend their occupation beyond Jehol, which they have claimed since last fall's major campaign.

Aside from the fear of the Chinese that Japan will push south to Peiping, business sentiment in China is improving. Crops are in fair condition. Stocks are moving. Chinese textile mills are operating regularly but Japanese mills have not yet recovered from the effects of the boycott.

May Buy Wheat

There are rumors that China may be in the market soon for large quantities of American cotton and wheat.

Japanese markets are dull. Silk prices have reacted from the high of last week, but the crop is moving in fair volume. With yen exchange nearly 45% below the former gold level, Japanese producers are offering copper on the disorganized European market at prices below either Belgian or British producers.

Unless the fighting in northern China becomes serious, the outlook in the Far East hinges more on a general breaking down of world trade barriers and monetary reform than on any other imminent development.

The Figures of the Week And What They Mean

A sharp rise in the volume of construction contracts compared with June is the most encouraging aspect of the business picture this week. . . . Public works awards were the chief factors in the gain, though non-residential building was also an important contributor. . . . Steel activity remains at a low but steady level which the industry will be happy to maintain during the dull summer months. . . . Hope is pinned on a revival in September. . . . Coal and carloadings reflect the influence of the July 4 holiday. . . . Electric power made less of a post-holiday recovery than had been expected. . . . Commercial loans increased. . . . Commodity prices held the recent gains in most lines.

STEEL ingot production during the third week of July continues at the same level as the preceding week. While this rate of activity is conceded to be low, some satisfaction may be gleaned if the present volume of output can be maintained during the summer months. The month of July is rarely one of activity in steel centers, but the belief is crystallizing both within and without the steel industry that July will see the bottom of the steel cycle. Little is expected of August, but September should give some hint of improved production for the last quarter. A little more stability in the price structure is encouraging.

The motor industry is largely marking time until general business shows more definite indications of improving. Little tonnage is placed except by Ford and Hudson, whose new model was recently announced. *Iron Age* reports that Chevrolet revised its schedules upward this month. June sales in 23 states show a 10% increase over May for passenger cars, but a 3% decline for new commercial cars.

The building industry shows more strength in July than expected with the bulk of the work in public projects. The steel industry looks forward to the tonnage which the Emergency Relief Act will make possible, though the prospects are not likely to be realized in the very near future.

Strength in agricultural prices is favorably viewed in the steel industry, particularly by makers of farm implements and wire products. Movement of the large spring wheat crop is benefiting the Western roads, thus raising the possibility of some equipment buying. Otherwise the contraction of railroad purchasing of track and other requirements continues.

Tin plate activity remains at a high level compared with the rest of the steel industry, but a seasonal decline can now be expected.

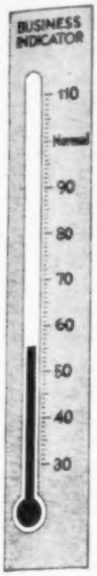
U. S. Steel Orders Scrap

A substantial order for steel scrap by the U. S. Steel Corp. appeared this week, and since it was the largest for some time to upset the virtual stagnation in scrap markets, it caused considerable comment. The very low price offers for scrap have forced railroads to accumulate their scrap material and to hold it for better prices.

The surprising spurt in the volume

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*55.7	†55.5	76.7	......
PRODUCTION				
Steel Ingot Operation (% of capacity)	16	16	31	65
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,400	$4,619	$12,455	$21,533
Bituminous Coal (daily average, 1,000 tons)	*725	†678	1,112	1,373
Electric Power (millions K.W.H.)	1,416	1,342	1,645	1,589
TRADE				
Total Carloadings (daily average, 1,000 cars)	83	82	127	160
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	59	59	84	103
Check Payments (outside N. Y. City, millions)	$2,889	$3,400	$4,390	$5,576
Money in Circulation (daily average, millions)	$5,745	$5,785	$4,828	$4,760
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.45	$.45	$.43	$1.04
Cotton (middling, New York, lb.)	$.058	$.059	$.094	$.163
Iron and Steel (STEEL composite, ton)	$29.46	$29.48	$30.98	$34.42
Copper (electrolytic, f.o.b. refinery, lb.)	$.051	$.051	$.076	$.127
All Commodities (Fisher's Index, 1926 = 100)	60.2	59.6	69.8	88.7
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,428	$2,404	$954	$1,180
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,478	$18,532	$22,415	$22,066
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,523	$6,484	$8,002	$8,647
Security Loans, Federal Reserve reporting member banks (millions)	$4,626	$4,632	$6,633	$7,166
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$345	$333	$1,430	$3,548
Stock Prices (average 100 stocks, Herald-Tribune)	$75.54	$74.39	$120.60	$153.52
Bond Prices (Dow, Jones, average 40 bonds)	$71.44	$70.33	$95.75	$95.62
Interest Rates—Call Loans (daily average, renewal)	2.0%	2.3%	1.5%	4.7%
Interest Rates—Prime Commercial Paper (4-6 months)	2¼–2¾%	2½–2¾%	2%	4.1%
Business Failures (Dun, number)	650	498	428	426

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

of construction contracts during the first 2 weeks of July is the outstanding favorable factor in the business situation. According to the F. W. Dodge Corp., over $70.5 millions of contracts were awarded in the period ending July 15, representing a 35% increase over the June daily average and a 47% decline from a year ago. The adjusted index for the week of July 15 now stands at 28% of normal compared with 25% and 23%, the preceding 2 weeks. The usual expectation for July building activity is a decline of from 10%-15%, so that the sharp increase thus far is distinctly contrary to the seasonal trend.

Construction Awards Improve

The gain in construction awards is chiefly due to a revival of public works and utility contracts, though non-residential building also contributed substantially to the better showing. The public works group accumulated a total of $33.9 millions equal to a 46.7% gain over the June daily average and only 37% below a year ago. Non-residential building ran second with a total of $26.5 millions, a 44% increase over June, but 45% below a year ago.

Residential construction continues to lag, but at a rate somewhat less than one would expect at this period. Contracts were valued at a little more than $10 millions, equal to a 5.5% decline from the low June daily average and 65.8% below a year ago.

Bituminous coal production for the week of July 9 suffered from the holiday suspension of activity, though the daily average output was somewhat above that of the preceding week. The index rose to 38%.

Electric power production showed less of an upturn after the holiday week than had been hoped. The index rose to 72%, which is still below the pre-holiday week. Compared with a year ago, the decline equals 13.9%, a greater spread than for any preceding week this year. The May analysis of power distribution indicates domestic consumption still above a year ago, while large commercial users have further decreased their demand to 24.3% below a year ago.

The observance of the July 4 holiday lowered the volume of rail freight in every classification except ore where a small increase was reported. Miscellaneous and less than carlot freight fell below that of the last Christmas week, which is contrary to the usual relationship of these 2 weeks. The index remained unchanged at 50%.

Check Payments

Check payments for the week of July 13 declined 15% in the 140 cities outside of New York following the sharp upturn of the preceding week when dividend and interest payments swelled the total. The index declined to 63%. During the month of June New York City showed the sharpest increase in check payments over May amounting to 10%, while towns outside of New York made about the usual small increase of from 1% to 5%. The decline in the outstanding volume of currency for the week ended July 16 was in line with expectations, as currency usually returns to the banks after the holiday period and fiscal year end. A better control of the banking situation in Chicago was also instrumental, but the number of banks closed during the week in the country as a whole made a slight gain to 35. Three of these occurred in the national capital. Savings in 27 banks of the Cleveland district showed the first gain in June since April, 1931.

Commercial Loans

Commercial loans took an upward turn as of July 13, chiefly in the New York district.

Commercial failures for the week July 14 show a sharp increase compared with the preceding week, but this is due to the effect of the holiday on the preceding week. Compared with 2 weeks ago, a slight downward trend is in evidence.

Commodity prices registered few notable advances in the past few days, but have succeeded in holding the gains of early July fairly well. The metal markets and wheat are the outstanding non-participants in recent price gains.

Hog prices have receded from their recent highs, but cattle and hides remain firm. Rubber, coffee, and corn are stronger, while sugar and silk lost ground. Cotton and wool prices are fairly steady. Cotton consumption by American mills reached a new low this year in June. Cotton exports fell below a year ago for the first time since last October. Cocoa and wheat are weaker.

Prices of lead, zinc and tin are lower, while copper and silver are fairly steady.

Trends of the Markets In Money, Stocks, Bonds

Favorable reception of new refunding flotations freshens interest in firm bond market. . . . Stocks continue steady in slack trading, unstimulated by Congressional adjournment. . . . Bank credit expansion still lags, but may be quickened by threat of direct Federal Reserve competition under new relief bill provision.

Long-Term Capital Comes Out to See the Sun Again

THE most hopeful feature of the financial situation in recent weeks is the signs of easing of long-term money rates and reopening of the long-term capital market, discussed elsewhere in this issue (page 5). The banking picture itself shows no marked improvement, except for a slight tendency for commercial loans to increase in some centers. Total member bank credit continues to contract, though at a somewhat smaller rate than in recent weeks. There is no marked indication of energetic support of the bond market by banks, though they have become more active in underwriting the new utility refunding issues which have recently appeared.

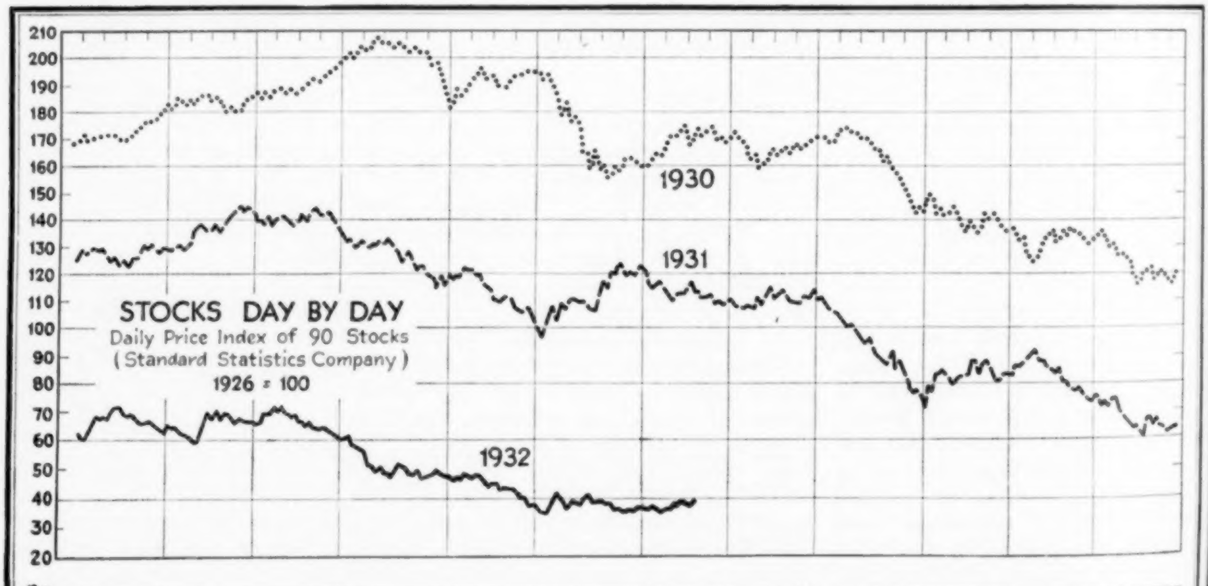
Suspensions are still running at a somewhat higher rate than in earlier months of this year. Though the decline in currency circulation following the July 4 holiday was favorable, it was less than usual and did not offset the increase accompanying the Chicago bank runs in preceding weeks. This is to be expected in view of the definite influence of new check taxes on checking accounts and use of cash in ordinary payments, the slow restoration of banking facilities in many communities.

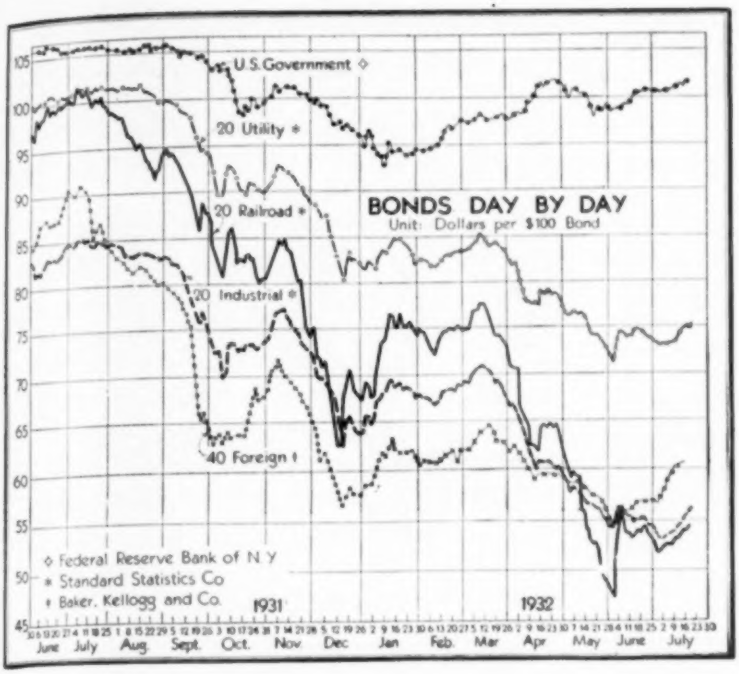
Banks are still emphasizing, even advertising, their liquidity. Ten largest New York city banks showed June 30 an aggregate of cash and government securities over 57% of deposits, as against about 47% at the end of 1929. This is considerably higher than the average for out-of-town banks. Interest is centered on the possible effect of the new Relief bill's provision for direct loans by Federal Reserve Banks in stimulating member bank credit expansion.

There is no expectation of large-scale direct loan activity by Reserve Banks, but the provision can be used as an effective prod upon member banks if loans applied for at the Reserve Banks are first offered to members, with the threat of direct competitive action by the Reserve. The provision also carries potentialities of currency inflation if largely used, because paper taken for loans by Reserve Banks under it can be used to back Federal Reserve notes.

Potential inflation is likewise involved in the rider attached to the Home Loan Bank bill, permitting national banks to use Treasury bonds bearing less than $3\frac{3}{8}\%$ rate as basis for new currency of nearly a billion. This may not be fully availed of unless currency demand greatly increases, because it is more profitable for national banks to rediscount such bond holdings with the Reserve under present low rates than to deposit them with the Treasury, with 5% redemption fund, and pay the ½% tax and additional costs. Moreover, such new note issue would probably be used largely to pay off borrowings from Reserve Banks and be offset by retirement of Federal Reserve notes.

Marked and increasing ease in short-term money rates also militates against active use of the provision by banks to increase loans. Excess reserves of member banks are still fairly large and pressure to find remunerative use of them in short-term liquid paper is severe





Bill rates are still at record lows of 1-7, call money at 1%. The volume of bills outstanding declined in June to a level about half that of a year ago. Progress in expanding use of trade acceptances is slow.

Bond Market Advances, Tested by New Issues

THE center of security market interest has perceptibly shifted to bonds, along with preferred stocks, in recent weeks. The bond market has been advancing slowly, but firmly and on a fairly broad front. The 5 new utility refunding issues offered during the past week have tested its strength with fairly favorable results, and are forerunners of others, notably the Insull operating company refinancing, expected soon. These issues are being pretty well prepared in advance by strong bank underwriting, but the reception has so far been encouraging to investment house sentiment. The trend of new Treasury financing in the next few months, especially that arising from R.F.C. demands in connection with loans under the new Relief bill, is likely to be the main factor affecting the capital market.

Treasury bonds coming under the currency expansion provisions tacked to the Home Loan Bank bill were again stimulated, but the government market has been generally firm. Foreign issues have lost a little of their vigor as interest has shifted to the domestic field.

Stocks Mark Time, Ready to Step Out

THE strange but somewhat reassuring stability of stock price averages which has been the striking feature of the market since the beginning of June is being maintained. Some disposition of the market to advance was evident during the past week, but the movement still holds within the narrow range of 5 points between the double bottom and the double top established during the past month and a half. The inability or reluctance of the market to break out of its rut despite the supposedly bullish news of the reparations settlement and Congressional adjournment has been a bit annoying to esoteric interpreters who have been certain that just this news was needed to dispel all speculative doubts. On the bear side the same surprise was in store this week for those who anticipated weakness in the utilities on announcement of the Wisconsin and Alabama commission actions (page 22).

The extreme slackness and narrow range of trading is, of course, discouraging to the Street, which has to be satisfied with very small pickings from the professional short-turn operations that make up the sum total of market activity today. But the quiet, steady action of the market is a fairly clear sign that all trace of hysteria has disappeared and that it is resting on its oars awaiting definite signs of business improvement, undismayed by bad earnings and with little fear of further shocks.

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Opportunity and Challenge

THE adjournment of Congress puts the problem of positive effort toward recovery squarely up to business and the banking system during the next six months. The legislative alibi for inaction has expired.

Congress has laid the basis for action. It has temporarily postponed the pressure of war debt payments on our foreign trade, brought the federal budget into approximate balance, supplied credit resources to strengthen the banks, railroads, and agriculture; offset the strain of foreign gold withdrawals on the Reserve system. In its final relief measures it not only provided unemployment relief for local emergencies, assistance in the marketing of farm products, special support for home building, and means for currency expansion, but it took the first positive step toward restoration of industrial employment by making possible a large volume of work in the construction and improvement of public and private capital facilities through credit aid by the Reconstruction Corporation and the Federal Reserve Banks.

These things constitute the careful, well-considered strategy of a conservative government against the most severe depression in the country's history. They rest on the fundamental belief that there can be no real recovery except on the basis of revival of private enterprise, which they are intended to encourage and aid. Obviously they can be of little avail unless they are fully utilized by enlisting the aggressive initiative of industry and the banking system.

Upon local agencies and business men now rests the responsibility, first, of wisely and effectively administering the relief assistance provided, and second, of mobilizing community interest in making fullest use of the R.F.C.'s resources available for self-sustaining public construction work. But beyond this by far the most important opportunity for the expansion of employment by initiative of industry and the banks lies in the immediate, systematic use of the provisions for direct credit aid to business by the Federal Reserve Banks.

Throughout American industry an enormous and pressing task of reconstruction and improvement of the country's productive facilities stands ready to be undertaken as soon as the necessary credit resources are released and as industrial management is mobilized to understand the need and systematically organized to avail itself of those resources to that end. The vast credit expansion powers of the Reserve system are still intact but largely idle. They should now be used for expansion of employment through modernization of industrial facilities.

In permitting the Reserve banks to aid industry directly, Congress has provided a way to assist in the accomplishment of this constructive purpose. But two things are still indispensable. First is a determination of both the Reserve Banks and business men to make the fullest use of this opportunity. Second is the closest and most intelligently organized cooperation between the Reserve Banks and business in utilizing it as promptly and effectively as is possible.

This is the task that Congress has left in the hands of business and the banking system for the next six months. What Congress will do when it reassembles depends largely upon how well that task is done, and how much private enterprise and financial leadership may make of their opportunity in the meantime. All the efforts of the Administration and of Congress constitute a clear challenge to private business enterprise and the private banking system. They must be prepared either to accept the challenge or to submit to some substitute.

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